

# The National Underwriter

## LIFE INSURANCE EDITION

FRIDAY, OCTOBER 19, 1923

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### The Peoria Life Insurance Company



*"Cooperation Headquarters"*

Home Office Building of the Peoria Life. Owned by the Company, without lien or encumbrance of any kind. Built from its current receipts, without disturbing the farm mortgage investments which have earned the Peoria Life its reputation for:

*"Policies Strong as Farm Mortgages Can Make Them!"*

was organized less than sixteen years ago. For four years its operations were confined to Illinois, its home state. It has expanded conservatively, on the principles of thorough development of its old territory, and of making promotions from its own Agency Force. It is now about to take rank as a

### Hundred Million Dollar Company

This remarkable growth, entirely the result of Agency business, accomplished without the absorption or reinsurance of other companies, is a record practically without exception in the history of life insurance.

### The Peoria Life Insurance Company

PEORIA, ILLINOIS

# Southwestern Life Insurance Company

Organized 1903

DALLAS, TEXAS

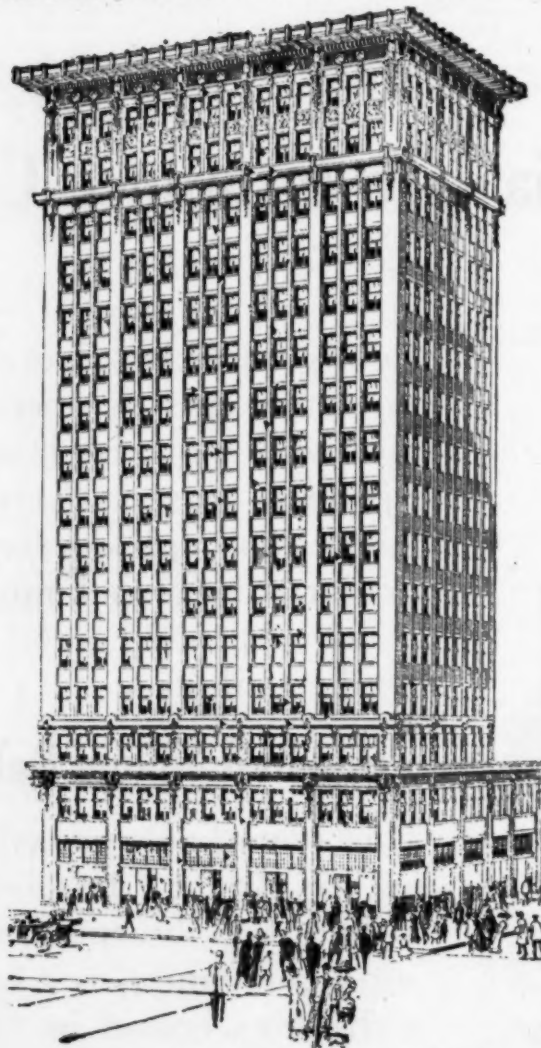
Operates only in Texas

T. W. VARDELL, President

T. L. BRADFORD, Vice-President

WHITFIELD HARRAL, M. D., Medical Director

Insurance in Force	over \$112,558,102
Assets	over 12,119,800
Surplus to Policyholders	over 1,583,730



Strong  
Progressive

Safe  
Successful

Southwestern Life Building, Dallas, Texas

For a profitable life insurance connection the combination of Texas territory and the Southwestern Life Insurance Company is unsurpassed. The Southwestern Life, in accordance with the expressed principles of the American Life Convention, believes that it is a mistake for agents to change from one company to another and

therefore prefers to contract with high-grade men without previous experience in the business and train them in life insurance salesmanship.

Information as to the opportunities of the business in Texas, available territory, etc., will be gladly furnished prospective agents upon request.

Write to T. W. VARDELL, President

## Southwestern Life Insurance Company

DALLAS, TEXAS

# The American National Insurance Company

GALVESTON, TEXAS

W. L. MOODY, JR.  
President

SHEARN MOODY  
Vice-President

W. J. SHAW  
Secretary

Legal Reserve Life Insurance to Meet Every  
Insurable Need  
Standard Policy Provisions

AGE LIMITS {ORDINARY—6 Months to 65  
INDUSTRIAL—1 Day to 65

## CHILDREN'S ENDOWMENT POLICIES

Insurance on Sub-Standard Lives  
Operating in 21 States and the Republic of Cuba

## INSURANCE IN FORCE

(PAID FOR BASIS)

**\$195,000,000.00**

Surplus to Policyholders  
More than \$2,500,000.00

Paid Policyholders Since Organization  
Over \$12,500,000.00

## EXCELLENT AGENCY OPENINGS


On Agency Matters Address  
**C. HUBERT ANDERSON**  
Manager of Agencies  
Ordinary Department



[ This is one of a series of advertisements to acquaint agents with the Missouri State Life Accident Policies and their uses ]

MISSOURI STATE LIFE BULLETIN

### The Policeman on the Beat— I'd Sell Him a Pennant



O'Brien, the genial patrolman who walks the beat out in Oak Park knows a lot about accidents. Part of his business is getting to the scene of the smash-up or the shooting in time to render first aid. No need to tell him of the hazards that stalk the streets nor of his fellow patrolmen who were disabled in course of duty.

He knows only too well that some of these days he and his family may be dependent on a small disability pension. But not being a business man he probably doesn't know of the additional protection he could get through a moderate yearly investment in an Accident policy. If I were you I'd sell him a Pennant Accident Policy. It will afford him the most complete and economical protection he could buy.

## The Pennant Accident Policy

This policy provides a highly refined industrial coverage extending maximum protection to the factory employee, artisan, farmer or anyone whose duties include manual labor. Prospects recognize it as a liberally adequate coverage within the means of practically every worker. The Pennant is one of our most popular policies.

Agents will find our Accident Policies a profitable adjunct to their present lines. We give liberal Brokerage contracts. Accident business affords the Agent a regular, substantial income, exposes him to more sales, supplies an effective approach for Life business, and furnishes in each application valuable information on Life prospects.

*Write for full information*

# MISSOURI STATE LIFE INSURANCE CO.

M. E. SINGLETON, President

HOME OFFICE: ST. LOUIS

**LIFE**

**ACCIDENT**

**HEALTH**

**GROUP**

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J. B.  
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# The National Underwriter

## LIFE INSURANCE EDITION

TWENTY-SEVENTH YEAR, No. 42-A  
EXTRA EDITION 35 Cents a Copy

CHICAGO, CINCINNATI AND NEW YORK, FRIDAY, OCTOBER 19, 1923

Office of Publication, 175 West Jackson Boulevard, Chicago  
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AMERICAN LIFE  
CONVENTION NUMBER

# Convention Is Taking Advanced Steps

Decides to Survey of Lapse Problem and Ways to Cut Down This Great Waste—J. B. Reynolds Named as New President

### Discussion of Ethics

*Des Moines, Ia., Oct. 19.*—THERE has been much discussion during the meeting of the American Life Convention on the ethics of the business, largely in executive session and the hotel lobby. Undoubtedly the heaven is working and standards are being raised. There is some complaint of undue aggressiveness. However, the good fellowship of the organization is doing much to rub down the asperities and competitive sharpness. Undoubtedly conditions in the agency field have improved materially during the last few years.

### Has Led in Many Forward Movements

The American Life Convention has led many forward movements. This year under the leadership of Dr. Henry Wireman Cook, vice-president and medical director of the Northwestern National, a committee brought in a most constructive report on total and permanent disability benefits.

This year President Lee J. Dougherty in his address recommended that a committee be appointed to study the lapse problem and bring in recommendations

## NEW OFFICERS ELECTED

### PRESIDENT

Joseph B. Reynolds, President Kansas City Life

### EXECUTIVE COMMITTEE

**New Members**—Lee J. Dougherty, Guaranty Life; H. B. Arnold, Vice-President Midland Mutual Life; Guilford A. Deitch, Vice-President Reserve Loan Life.

**Holdovers**—H. R. Cunningham, Montana Life; George Graham, Central States Life; Isaac Miller Hamilton, Federal Life.

at next year's meeting as to the wisest course to pursue to reduce the great waste. The organization at its final session voted to have a committee of five appointed to make this survey. The new president will make the appointment.

President John M. Sarver of the Ohio State Life urged the establishment of a production department to assist the agents through popular advertising and publicity. He said that policyholders are produced in the field. Here is where the raw material exists. The ground should be prepared for the agents. Life insurance, he said, is asleep at the switch as to the possibilities for creating favorable public opinion and sentiment. Mr.

Sarver called attention to the work done by Secretary T. W. Blackburn in preparing educational pamphlets.

Henry F. Tyrrell of the Northwestern Mutual Life was called to the front Friday morning and spoke briefly. He said there are three mediums through which the attitude of the public toward life insurance is expressed, the press, events and legislatures. All three should be better informed on life insurance.

Vice-President Willard I. Hamilton of the Prudential also spoke Friday morning. All life insurance men as a body, he said, should turn back all forces tending to disintegrate American institutions. All those in the business should recognize their civic responsibilities.

### Veteran Takes Reins

*Des Moines, Ia., Oct. 19.* JOSEPH B. REYNOLDS, president of the Kansas City Life, who was elected president of the American Life Convention at its concluding session here today, is one of the organizers of the association. He attended the initial meeting in the Great Northern Hotel in Chicago. Isaac Miller Hamilton of the Federal Life put Mr. Reynolds in nomination. He called the old stalwart the "Daddy of the Convention." Mr. Reynolds served as chairman of the organization committee that established the Convention. He was the first president, serving from January to September, 1906. Mr. Reynolds and Secretary T. W. Blackburn have attended all the meetings of the organization. When Mr. Blackburn cast the first vote for Mr. Reynolds in 1906 for president there were 16 companies in the organization. This year there are 147. Mr. Reynolds, Mr. Hamilton, Mr. Blackburn and W. A. Lindly of the Security Mutual of Nebraska, who were present this year, attended the organization meeting. Harry L. Seay of the South-



J. B. REYNOLDS, Kansas City  
Elected President American Life Convention



L. J. DOUGHERTY, Davenport, Ia.  
Retiring President American Life Convention



T. W. BLACKBURN, Omaha, Neb.  
Secretary and Counsel American Life Convention



W. H. HINEBAUGH  
Central Life of Illinois  
New Chairman Legal Section

land Life seconded Mr. Reynolds' nomination.

#### Calls Attention to Great Advances Made

When Mr. Reynolds assumed the reins of office after a lapse of 18 years, he called attention to the great advance in the business. He said the American Life Convention had done much to help the cause. He referred to the cordiality and friendship developed among the members.

President Randall of the Minnesota Mutual put in nomination L. J. Dougherty for member of the executive committee. John M. Sarver of the Ohio State Life nominated H. B. Arnold, vice-president of the Midland Mutual Life. C. F. Coffin of the State Life nominated Vice-president G. A. Deitch of the reserve Loan Life, whose term expired this year. All were elected unanimously.

#### New Orleans Favored as Next Meeting Place

Changes in state vice-presidents are: Missouri, W. T. Grant, Business Men's Assurance; Nebraska, H. E. Worrell, Omaha Life; New Hampshire, R. J. Merrill, United Life & Accident; Tennessee, C. A. Craig, National Life & Accident; Texas, A. C. Bigger, American Life Reinsurance; Wisconsin, N. J. Frey, Wisconsin Life. A number of points are mentioned for next year's meeting. Although New Orleans is generally favored it will be up to the executive committee to decide.

#### John M. Laird's Feat

John M. Laird, actuary of the Connecticut General, astonished his audience by a remarkable feat of memory. His address was on "The Scope of Life Insurance." It was a technical treatise. Notwithstanding the character of his talk, he spoke without reading his paper. He referred to his manuscript but a few times. It was evident that he had not only written a paper of great value but had sufficient confidence in his ability to present it without bending himself to his manuscript.

Charles B. Welliver of Indianapolis, general counsel of the American Central Life, was taken ill at his home and could not be present to give his paper before the Legal Section of which he is a former chairman.

William Bro Smith, general counsel of the Travelers and recently elected president of the International Association of Casualty & Surety Underwriters, is always one of the most faithful convention attendants.

## Resolutions Condemn Twisting Of Policyholders or of Agents

THE following resolutions were adopted by the American Life Convention Thursday in executive session:

Resolved: 1. That this Convention condemns the practice of twisting policyholders and the use of unfair or misleading comparisons as to values, benefits or security to induce a policyholder to transfer insurance protection from one company to another and pledges its active support to the enforcement of laws which prohibit such practices.

2. That this Convention condemns as contrary to ethics and detrimental to the interests of companies and agents any and all attempts by whatever form or device, except by advertising in the insurance journals and the public press, to induce an agent while under contract, oral or written, with a given company to transfer his services, in whole or in part, to another company except in a

case where the assent of the employer company shall have first been obtained.

3. That the by-laws of the American Life Convention be and they are hereby amended by adding the foregoing resolution as sections 15 and 16.

4. That the by-laws of the American Life Convention be further amended by adding the following as section 17:

"Any member of the American Life Convention who shall upon complaint made to the executive committee be found to be guilty of any act condemned by sections 15 or 16 of these by-laws, made by such committee be either suspended from all of the privileges of membership for a time to be fixed by the committee, or if in the judgment of the committee the gravity of the act shall so warrant, be expelled from membership in the American Life Convention. A company so expelled shall not thereafter be eligible to membership."

## Opening Session of the Convention

PRESIDENT LEE J. DOUGHERTY, of the American Life Convention started the proceedings on time. The gavel fell at the hour named for the sessions to start. At the opening of the first morning's meeting, Harvey Ingham, editor of the "Register-Tribune" gave the address of welcome. Des Moines, he said, has more insurance company home offices than any other city. The Des Moines publications pay more second class postage than those of any other cities except New York, Chicago and Philadelphia. Mr. Ingham said that there was never so bright a prospect for the country as now. People should not be upset by isolated or temporary disturbances. In speaking of Iowa he said that regardless of the break in prices of farm products after the war, the agricultural sections are not irrevocably depressed. He said that he had not heard of any Iowa farmer who had put his automobile in cold storage because of hard times. There is one automobile for every four and one-half people in the state.

Mr. Ingham referred to the benevolent service that life insurance is giving to mankind. It is dealing with fundamental needs of men. It stabilizes these needs and puts before the people the medium whereby they can protect themselves for forty years if necessary. There is no other long time investment

so safe unless, he said, it is Iowa land. He expressed the hope that the life insurance system might be applied to other needs and activities and make them more stable over a longer period than is now the case.

W. R. C. Kendrick, Iowa insurance commissioner and former assistant attorney general, supplemented the welcome of the distinguished editor. Mr. Kendrick is regarded as one of the most efficient state supervisors of the country. He participated in all the convention functions.

#### Welcome Is Given by the President of the Bankers

President George Kuhns of the Bankers Life of Des Moines gave the welcome for the life offices of the state. Mr. Kuhns is the leader of a splendid institution whose officers were active in arranging for the convention and seeing that the machinery was kept going.

That Iowa is a celebrated insurance state is seen by the fact that it has 266 insurance companies of which 53 are located in Des Moines. There are 35 life companies in the state.

Mr. Kuhns had on the desk some samples of "White Hope" corn raised on one of his farms. The corn fields on his farm produce about 100 bushels to the acre. Mr. Kuhns was brief in his remarks and hit the audience in

the right spot. The audience sang "Iowa, Iowa, that's where the tall corn grows," at the close of Mr. Kuhns' talk.

President J. B. Reynolds of the Kansas City Life responded to the addresses of welcome. He paid a deserved tribute to the life companies of Iowa and the Mississippi Valley.

President H. R. Cunningham of the Montana Life occupied the chair during the time that President Dougherty gave his address. Mr. Dougherty is one of the most popular men of the organization. He is forceful and energetic in his personality. He presided with ease and dispatched business without delay. The most valuable suggestion made in the president's address was the appointment of a special committee to study lapses and make recommendations as to methods to reduce the waste.

#### Roy H. Heartman Speaks

Roy H. Heartman of Des Moines, state manager of the Equitable Life of New York, spoke on behalf of the National Life Underwriters Association, as President Graham C. Wells was sick in Chicago and could not be present. He stressed the importance of sentiment in life insurance selling. If an agent does not possess sentiment, he does not get far in his work. Mr. Heartman declared that the men on the firing line do not appreciate its importance sufficiently. It is doing a great service to a great number proper in a most efficient way.

#### Two of a Kind

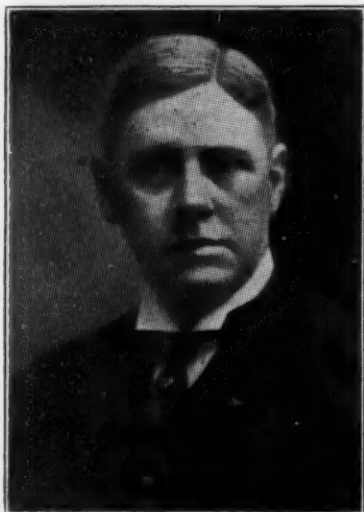
James C. Jones, Sr., general counsel of the American National of St. Louis, is one of the best known members of the Legal Section. His knowledge of the insurance law and practice is profound. This year he was accompanied by his son and namesake, a duplicate of the "old man." Both wear hats of a similar kind and smoke pipes in the self same way. Let any one shut his eyes and then start one of the Jones talking. He would find difficulty in guessing which one was speaking. Jones, Jr., is fluent in speech and is making a name for himself in his profession. The son is in his father's law firm.

Job Hedges, general counsel of the Life Presidents Association, spoke at the luncheon given by the Des Moines Life Underwriters Association Thursday.

James L. Madden, manager of their insurance department of the United States Chamber of Commerce, was present at the meeting.

J. M. Holcombe, Jr., manager of Life Insurance Research Bureau of New York, was a convention visitor.

## WILL SERVE ON AMERICAN LIFE CONVENTION EXECUTIVE COMMITTEE



H. R. CUNNINGHAM, Helena, Mont.  
Vice-president Montana Life



H. B. ARNOLD, Columbus, O.  
Vice-president Midland Mutual Life



GEORGE GRAHAM, St. Louis  
Vice-president Central States Life



ISAAC MILLER HAMILTON  
President Federal Life



# Legal Section Hears Able Addresses

## NEW OFFICERS ELECTED

Chairman—W. H. Hinebaugh, Central Life of Illinois

Secretary—Eugene J. McGivney, Pan-American Life

WITH the election of General Counsel W. H. Hinebaugh of the Central Life of Ottawa, Ill., as chairman and Eugene J. McGivney of the Pan-American Life as secretary of the Legal Section, it adjourned Tuesday. Judge Hinebaugh was formerly county judge at Ottawa. He served in Congress for one term and is prominent in his part of the state. Mr. McGivney was formerly Louisiana insurance commissioner.

### W. Calvin Wells Presided Over the Legal Section

W. Calvin Wells, general counsel of the Lamar Life of Jackson, Miss., presided over the meeting of the Legal Section. He had some apt illustrations and splendid southern stories that he brought into play. He was a most versatile presiding officer. W. H. Hinebaugh of the Central Life of Ottawa, Ill., was secretary of the section.

At the first session a paper was read by the secretary which was prepared by Attorney Charles A. Hines of the Shenandoah Life on the "Jurisdiction of a Federal Court of Equity to Entertain a

courts of equity will give relief if the time for contest is about to expire and no action at law has begun on the policy.

### Much Controversy on Method of Procedure

There is much controversy among the lawyers as to the proper course to pursue when a death occurs within the contestable period and a company seeks to cancel the policy for fraud. The general theory is that the period itself furnishes time for proper inspection to see if there has been any misrepresentation or fraud. If, however, this has not been discovered until death of assured, there are three points of view as to method of procedure. One group of lawyers would bring a suit in equity to cancel the policy. There may be some question as to when this action should be begun. This point was raised by H. C. Bates of the Metropolitan. Some declared that there was no good reason for delaying action because if the beneficiary brought suit to compel payment, the company would not waive its rights by its suit in equity. It could then use all its points in defense.

The second group would wait until the beneficiary brought suit and therefore not expose its hand until the trial occurred. These lawyers would not bring suit for cancellation if the beneficiary started action and hence would wait until the last few days of the contestable period to smoke the beneficiary out.

A third group contend that a letter to the beneficiary denying liability is sufficient notice of the company's attitude and hence no suit is necessary.

### Attorneys Express Views on Disputed Subject

J. C. Jones of the American National of St. Louis declared there are some advantages to be gained by bringing a suit in equity. Some attorneys held that such a suit opened the way for compromise. The beneficiary is not concerned in settling law points but is anxious to get a settlement. Most attorneys feel that they have a better chance in chancery than in law.

Attorney Dan W. Sims said that all the points set up in defense at law can be presented in equity. No rights are waived in an equity procedure.

Much reference was made to the Monahan and Ramsay cases in Illinois decided by the supreme court of the state involving the incontestable clause. There is much confusion in Illinois because of these decisions. The Ramsay or the Old Colony Life case brought out some modification of the Monahan decision in that the court held that the contestable period for bringing action to cancel a policy was extended equal to the lapse of time between death of the assured and appointment of an administrator where a policy is made payable to an estate. Some attorneys expressed the opinion that if the Illinois supreme court could find a way to reverse itself gracefully in the Monahan decision, it would do so.

### Company Has No Chance Where Credit Is Extended

In one of the discussions, William Bro Smith of the Travelers said that where a company extends credit to an agent and an agent extends credit to a policyholder, a company would have no just ground to contest a claim if death occurred and the premium were not paid. Agents frequently deliver policies and tell the assured to send in remittance when convenient. This is done on first and renewal premiums. The agent charges himself up with the net.

President Lee J. Dougherty of the American Life Convention spoke briefly to the lawyers Tuesday morning. He recalled the organization of the Legal Section in 1907 and said it had been of great advantage to the companies to have the attorneys get a broader knowledge of life insurance and insurance law. Mr. Dougherty said that the people of the middle west were not in favor of those radicals in public life who were trying to undermine the fundamentals of the government.

W. S. Ayres, Bankers Life of Iowa; D. B. Ninde, Lincoln National, and W. B. Miller, Volunteer State, were appointed on the nominating committee.

### Policies Are Approved by the Commissioners

J. C. Jones in discussing T. J. McComb's paper on "Premium Notes" said that a life policy is a unilateral contract because the assured is not forced to pay the premium. It does not become bi-

lateral because it is approved by a state insurance commissioner. Mr. Jones said because in many states life insurance policies are approved by the commissioners, the courts should construe them as other contracts. The commissioner acts as the guardian of the public. He sets his seal of approval on them. The courts, however, raise ambiguities and then construe them rigidly against the companies. The insurance company alone does not write the contract. The insurance commissioner passes on it. Notwithstanding this fact, courts set up rules whereby the provisions are most rigidly construed against the companies.

William Bro Smith said that not only do the commissioners pass on the policies but the very provisions in dispute and construed by the courts are required to be inserted in the policies by statute. The particular language is specified by statute.

Wm. Ross King in speaking of premium notes objected to the terminology. People look upon them as regular promissory notes. He would call renewal premium notes or so called "blue notes" extension agreements. Some argue



E. J. MCGIVNEY  
Secretary Legal Section

Suit After the Death of the Insured for Rescission of the Policy Containing an Incontestable Clause." Mr. Hines said that this clause prevents a large amount of litigation but in some cases the provision may bring on complications after death during the period that contestability is permitted. On one hand the view is taken that death fixes the rights of all parties. Other decisions hold that the right to contest the policy does not then become an absolute and unlimited one. It is still controlled by the provision of the policy that it must be exercised within one year from the date of the policy.

### Important Case Now Before U. S. Supreme Court

An important case involving the incontestable clause is now before the United States Supreme Court in Mutual Life vs. Hurni Packing Co. One of the first suits to go to the federal court for rescission and cancellation of a policy after the death of the assured was Jefferson Standard vs. Wilson. The packing house case will not only determine whether the incontestable clause is suspended by death but incidentally whether a federal court of equity may entertain rescission suits after the death of the insured and before the contestable period has expired. There is considerable preponderance of decisions in which the view is taken that death does not suspend the running of the incontestable period fixed in the policies and that



W. CALVIN WELLS  
Retiring Chairman Legal Section

that a note is more efficacious as a collection medium than any other instrument. Mr. King doubts this. So long as notes are used and are regarded as promissory notes disputes will arise. If a change were made much difficulty would be eliminated.

### Companies Should Stand Up for Their Rights

Robert Stone of Topeka severely denounced those insurance commissioners who have assumed the attitude of claim collectors, thus assuming the power of courts. A commissioner, Mr. Stone said, has no right to harass a company in this direction.

He declared that insurance companies should stand up fearlessly for their rights. They should not be suppliants or apologists. These companies are doing a legitimate business. They are honest and conscientious. They should not be timid, cowardly or favoring in dealing with public officials. They are entitled to consideration and should demand it. If they were more courageous they would inspire more respect.

The large life companies, he said, are mutual. Rates, terms and conditions are largely fixed by them. They serve their policyholders alone, Mr. Stone said. Stock companies base their practices on the big mutuals.

### Discussion Over the Compensation Law

B. P. Sears of the National Life, U. S. A., in his paper on the workmen's



G. A. DEITCH, Indianapolis  
Vice-president Reserve Loan Life



E. M. GROSSMAN, St. Louis  
General Counsel Central States Life



compensation law as applicable to the employees and agents of life companies, treated the subject from a legal standpoint entirely. He stated that a few states, four or five, made it obligatory on all employers with a certain minimum number of employees to come under the compensation law. Where there was no such obligation Mr. Sears said a company should remain outside.

E. M. Grossman of St. Louis said that the compensation principle should be supported by all classes of insurance. There is no reason why an employer should not assume the responsibility for occupational disease and accident incurred in an office by a clerk. It means just as much to him as a wage earner.

He declared that insurance companies should take advantage of the law and give their employees its protection. Mr. Grossman would have the compensation law apply to all employment. Society should be protected against loss incurred in employment. In this way, he said, the number of ambulance chasing lawyers will be reduced.

William Bro Smith of the Travelers said his company came under the compensation law when it was first enacted.

He thinks that life companies should espouse the cause of protection. The premium, he said, is a comparatively small charge. The prevention of accidents, he asserted, is the primary purpose of the compensation law.

Robert Stone took the position that the compensation law applies to industrial and hazardous employments. There are but few life insurance employees involved in such, they being elevator men, printing office employees, janitors and so on. Clerks are not subject to such danger. Their occupation is very different from that of wage earners.

W. S. Ayres said that life agents are not under the control of the company as are clerks, and hence a company should not be held responsible for them.

Maj. C. A. Atkinson of the Federal Life, one of the organizers of the Legal Section, who has always been present heretofore at its meetings, was prevented from attending this year on account of illness. On motion of Col. D. W. Sims, a message of sympathy and greeting prepared by Jas. C. Jones and E. M. Grossman, was sent him on behalf of the Legal Section.

ber of well-managed life insurance companies, suggests that the rental overhead should not exceed \$200 to \$250 for each \$1,000,000 of insurance in force, for a company of from \$50,000,000 to \$500,000,000. As a company grows, the proportionate relation of gross rental to insurance in force should steadily become less.

The decision as to location depends upon whether a building designed as a large office building is determined upon with the rental and investment purpose principally in mind and only a relatively small part for company occupancy, or for immediate or ultimate exclusive occupancy by the company.

In the former case, a downtown site near the center of the business district will be necessary. Such a site will be expensive, and a very large rental area will be required in order to allow a moderate rental for the space occupied by the company. The expense of this site will influence the company to occupy as small a floor area as possible, and so will tend to overcrowding of the office force, and may seriously hamper adequate personnel provision.

#### Trend Is Towards Exclusive Buildings

While some life insurance office buildings have proved a good investment, many others have seriously depreciated in income value. Some years ago, when tall buildings of the skyscraper type attracted attention and comment, there was more favorable advertising value to this type of building than today. The trend is undoubtedly towards the building designed primarily

or exclusively for the company's use, and in that case the site need not be downtown, and there are many reasons which make a site outside the main business district more desirable—less expense, less noise and dirt, freedom from parking nuisance, facilities promoting health and recreation, possibility of acquiring a sufficient area to permit of expansion, and to obtain a suitable setting for a beautiful and distinctive building. So that today many companies are erecting their home offices in locations chosen for beauty, economy, and adaptability, from one to five miles from the central business district.

In determining the final choice of location, a wise management will not entirely leave out of consideration the perhaps intangible but nevertheless real effect of environment on the employee. Pure air, attractive outlook, beauty of surroundings—are reflected in character and quality of work.

When the rapid growth of American life companies is taken into consideration, with every reason to expect this rate to increase rather than decrease, it may be stated that as a general rule the site should be at least twice as large as the portion to be immediately occupied by the building; so that, if the building is designed for ten years' growth, the ground area will permit of at least twenty years' occupancy.

The rate of growth as indicated by insurance in force and number of employees, for several of the best managed American companies, is indicated in the subjoined table.

## Details Watched in New Life Insurance Home Office Edifices

By DR. HENRY WIREMAN COOK

Vice-President, Northwestern Mutual Life

WITHIN the past ten years, 50 new life insurance buildings have been erected or begun in the United States, and it seems probable that several times that number will be planned during the next decade. This unprecedented activity is due to two reasons: The obvious one that the tremendous growth in the volume of life insurance written during the last decade and the one immediately preceding it, has required increased space, and, of even greater importance and interest, because there has been a complete revolution in the conception of office planning, equipment, and management, resulting in the demand for a different type of building, better adapted to the more effective conduct of the business.

#### Old Building Inadequate For Present Day

The demands of office management as we know it today, and of modern personnel work, are as inadequately met by the usual office building of two decades ago as would the demands of modern road transportation be met by the vehicles of that period. Prior to this new development, the activities of the life insurance office was usually conducted in what has become known as the old office building type, where from one to four or more clerks were located in small separate offices with solid partitions between. Here supervision, consecutive routing of work, all modern office planning, were either impossible or seriously handicapped. There was insufficient ventilation, improper lighting, and general inadequate provision for the welfare and interests of employees.

Office methods have been studied,

standardized, and planned with a view to economy of time and effort, to prevent duplication and unnecessary steps, and to permit a given result to be accomplished with the greatest promptness and accuracy, and at less cost.

Coincident with this progress in the work itself has come a new attitude toward the employee, an appreciation of the rights of the clerk to a liberal salary commensurate with intelligent application, to shorter hours, ventilation, light, medical and nursing service, recreational facilities, educational opportunities, disability and life protection, and a realization of the returns to industry in better and more economical work when this human factor is properly recognized.

#### Cost and Site Important Questions

It is most important that the overhead rental expense for the company in the new building should not be excessive, and that it should bear a favorable relation to the current local rental rates which the company would have to pay if required space were rented instead of owned. Unless this factor of cost is carefully controlled, a home office building may become a serious extravagance in management.

The annual cost to the company is the criterion of justifiable building cost, and not the gross investment. For example, one company might put \$1,000,000 into a building, and by careful planning and rental to tenants have a much more economical and advantageous investment than another company of the same size which puts only \$250,000 into the building and occupies it exclusively.

A study of the experience of a num-

## Phoenix Mutual Emphasizes "Home" in Home Office Plans

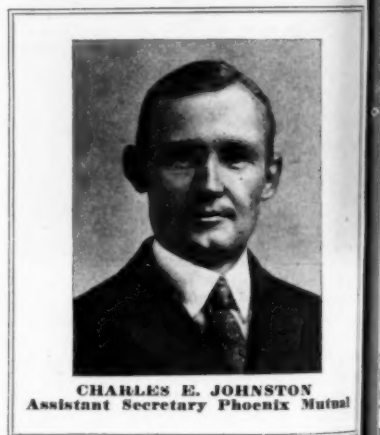
CHARLES E. JOHNSTON, assistant secretary of the Phoenix Mutual Life, gave a very interesting description of that company's home office building in the general symposium on planning of home office buildings, going into some detail regarding the plans adopted for efficiency and comfort along various lines. In his general discussion of home office requirements he said:

"Previous to the last decade the emphasis on home office building has been largely on building, that is, the type of building which, in addition to the limited space necessary to care for the owners' immediate requirements, would provide sufficient income from ground floor and upper floor rentals to make the building a good investment, if placed in a location to have as large an advertising value as possible.

"In this development, very little attention was paid to planning for adequate future office space and efficient departmental layout. This subject has received more study in the last few years when, through the influence of industrial and management engineers, emphasis has been placed on office for office purposes rather than on building for rental and advertising purposes.

"A STILL further development is now in progress and in recognition of this we may say that we are coming to emphasize more and more the word 'home' in home office building. Every organization employing a group of clerical workers, large or small, should have a two-fold responsibility: (1) Development and distribution of the best product at the lowest possible cost. (2) A social obligation in respect to the individual employee; not a legal responsibility, nor the whole responsibility, but a share in the responsibility for the sound physical and mental development of the people who spend approximately 30 percent of the 24 hours under company's supervision.

"Assuming these conditions as recognized, the ideal home office building should conform to the requirements for progress, prosperity and contentment in the space set aside for medical, rest,



CHARLES E. JOHNSTON  
Assistant Secretary Phoenix Mutual

recreation, cafeteria rooms, etc. "In the selection of a site we were guided more by the permanent factors governing the light, air and noise conditions than by nearness to the business district and our location, ten minutes walk from the center, facing Bushnell Park, with control of property on two other sides, makes these conditions nearly ideal.

"PROBLEMS of this kind, while general for all new office buildings, of course require a different solution for each type of building. We have in mind always the comfort and happiness of our employees as well as economy of operation. 'Plank' 3 in Collier's 'Platform for Industrial Peace' briefly expresses the basis for ideal home office building and home office organization. 'To serve the community a business must provide continuous work under time, and at fair prices, as to be able to take care of its own people. It must earn money to pay its workers' wages which will support life in comfort. It must provide continuous work under healthful conditions, free the creative energies of all workers, and offer incentives to improvement of production.'"

Insurance in Force, Millions					Number of Employees				
Year	Mass. Mutual	N. W. Mutual	Union Central	Mutual Benefit	Mass. Mutual	N. W. Mutual	Union Central	Mutual Benefit	
1900	136	529	148	...	64	217	180	...	
1905	195	764	233	...	78	314	250	...	
1910	262	1,080	303	543	120	477	345	244	
1913	328	1,304	375	673	158	535	400	260	
1915	374	1,420	429	761	188	575	495	294	
1920	728	2,196	778	1,311	317	705	505	421	
1922	912	2,499	898	1,528	359	773	553	466	

Lincoln National				Northwestern National			
Year	Insurance in Force	No. Employees	Floor Space sq. ft.	Year	Insurance in Force	No. Employees	Floor Space sq. ft.
1921	\$196,000,000	230	24,000	1915	\$35,000,000	48	10,500
1923	290,100,000	303	31,200	1920	134,000,000	146	21,150
1925	395,300,000	400	40,990	1922	155,000,000	170	24,000
1927	524,100,000	519	53,140	1924	200,000,000	220	31,000
1929	687,600,000	667	68,470	1929	400,000,000	350	40,000
1931	899,800,000	659	88,200	1934	650,000,000	500	50,000
1932	1,029,400,000	974	100,000	1939	1,000,000,000	700	65,000

# Report on Total Disability Clause

AS early as 1876, the German insurance companies issued a disability clause in life insurance policies. Professor Solomon S. Huebner states that this was probably an extension of the idea of invalidity insurance, which was furnished in the eighteenth century by German and Austrian mutual aid societies. Fraternal societies of both England and America have for many years furnished certain benefits for disability to their members, and from the beneficent activities of these societies with respect to the relief of their disabled or incapacitated members, the idea naturally spread to its introduction as a feature of life insurance.

In the United States the first life insurance policy containing a disability benefit was issued by the Fidelity Mutual on the life of its president, under date of Oct. 16, 1896. This policy was known as the elective life contract, and gave the insured the option of selecting either a paid-up policy or a disability annuity.

That the desirability of a disability clause as a part of the life insurance con-

tract was questioned, is well evidenced by the fact that eight years elapsed before its adoption by any other company. Then the movement spread with such rapidity that by Jan. 1, 1912, at least 135 companies in the United States granted disability benefits in some form. Liberalization has accompanied its even wider adoption during the last decade, and now at least 223 American companies issue some form of disability insurance.



DR. HENRY WIREMAN COOK  
Vice-President Northwestern National Life

It will be seen from the original provision that, contrary to general belief, the benefit did not first take form in the waiver of premium only, but included as well the option of selecting payment of the policy in installments. The waiver of premium only, however, was the first disability benefit to be generally adopted by American companies.

Liberalization of the benefit has kept pace with its popularity, until today the most important benefits in use are the following: Waiver of premium only; waiver of premium and payment of policy in installments; waiver of premium and payment of monthly annuity in addition to payment of policy in full at death or maturity; waiver of premium and payment of monthly annuity which increases 50 per cent after five years of continuous disability and 100 per cent (of original amount) after ten years of continuous disability; and waiver of premium, payment of monthly annuity with provision for 100 per cent increase of annuity payments in even disability results from accidental causes, in addition

to payment of the face amount of policy in full at death or maturity. The waiver of premium and the waiver of premium and monthly annuity are in more general use today than any other disability provisions.

## Degree of Uniformity Gradually Developed

In the first general use of the disability feature as a part of the life insurance contract there appeared, as a result of the diversity of opinion on almost all phases of this subject, a wide variety of total and permanent disability clauses. Being forced to pioneer in unexplored fields, with no past experience to serve as a common guide, each company independently framed its own clause. Confusion and doubt prevailed also in the administration of the benefit, due to conflicting interpretations, or ambiguity of the clauses, as to what constituted total and permanent disability, etc. But with increasing popularity and growing use, with a higher competitive value placed upon the disability benefit, there has developed a tendency to uniformity, at least, as to the essential features of the benefit.

The report of the special committee on permanent and total disability, presented at this year's meeting of the American Life Convention, is a comprehensive study of the subject, handled by a group of executives representing the actuarial, medical and legal offices jointly. It is the result of a year's intensive study of the subject, the committee being that named at the last annual meeting of the Convention at Milwaukee. This committee was composed of: Henry Wireman Cook, vice-president and medical director, Northwestern National Life; W. S. Ayres, general counsel Bankers Life of Des Moines; Henry A. Baker, medical director, Kansas City Life; Lawrence M. Cathles, president, North American Reinsurance Life; George Graham, vice-president and actuary, Central States Life; I. Smith Homans, vice-president and actuary, Commonwealth Life of Louisville, and Herbert M. Woolen, president, American Central. The final report is a most valuable contribution to both those now writing the disability clause and those considering its adoption. It gives the history and development of the clause, underwriting factors, mortality experience, legal status, in fact, all side-lights that could be of interest or value to those adopting it. No definite suggestions are made, but the preponderance of experience is offered as self-explanatory. It should work for greater uniformity.

As an illustration of this, out of 222 clauses contained in "Best's Compilation of Disability and Double Indemnity Provisions" 1922, which were analyzed by this committee, it was found that 206 companies, or 93 per cent, terminated the benefit at age 60; 78 per cent construed the complete severance of both hands and both feet, the severance of one hand and one foot, or the loss of sight, as specific causes of disability; 100 per cent granted the waiver of premium before the age at which the benefit terminated; and 75 per cent stated specifically that military and naval service in time of war was a risk not assumed. Out of 192 clauses examined, 85 per cent granted an annuity benefit of 1 per cent monthly of the sum insured, in addition to the waiver of premium. Only 16 companies now grant the waiver of premium only, and only 14 companies pay the amount of the policy in installments.

No Recommendations Made, But Essentials Shown

Your committee, while not wishing at this time to recommend an absolutely uniform clause, believing that independence, initiative, and individuality are well-established traditions of American companies, does wish to express approval of the growing uniformity of the essential features of the clause, its interpretations and administration. Without this uniformity it would be difficult to compile any reliable or homogeneous experience.

The construction of the clause as a whole is composed of six main sections: The agreement, benefits granted, definition of disability, including recognized or specific causes; proof required, dis-

continuation or termination of disability benefits, premium clause.

The agreement sets forth the agreement to pay if proof of disability is furnished within the age and time limits. It should be made perfectly clear that disability must occur and claim must be presented while no premium is in default; that disability must occur before the age at which the benefit terminates, and that disability must not result directly or indirectly, in whole or in part, from injuries self-inflicted.

The case of Wick vs. Western Union Life, 175 Pacific 953, Washington, well illustrates the necessity for clarity with reference to the time within which claim must be filed, that is, while the policy is in force, as it also emphasizes the point that until proof has been filed the insured is not entitled to any benefits.

## Manner of Granting Benefits Shows Variation

In addition to the specific benefits granted, the section on benefits sets out the time when the benefits shall accrue, explains how they shall continue, and when they shall cease. The tendency seems to be toward granting the bene-

fits immediately upon approval of proof, but when this is done it is important that the premium charge be made commensurate with the benefit granted, and that the possibility of controversy be recognized.

The annuity benefit may be made to cease upon maturity of endowment policies, or may continue during disability until the death of the insured, even after the maturity of the policy as an endowment, if premiums are suitably calculated so as to provide for this greater benefit.



O. C. MILLER, Des Moines  
President Central Life of Iowa

A number of companies include a benefit providing for the waiver of all premiums during disability when it occurs after age 60, or whatever age limit has been set. Here also adequate premiums should be charged for the increased benefit.

The benefits are made payable to the insured in the majority of companies. However, some, and the tendency seems to be increasing, incorporate a provision that if disability results from insanity the annuity will be paid to the beneficiary. Under an assignment of the policy all benefits probably accrue to the assignee, so that it is well, as is done by several companies, to insert a provision in the policy that any assignment thereof will not include any benefits that may accrue under the disability provision. The assignment blank itself may include such a provision when it is not included in the policy.

## Proof Required Should Be Carefully Specified

Reference is usually made to the fact that any premium waived or annuity payments made do not reduce the amount payable at death or maturity, or otherwise impair the non-forfeiture values of the policy.

Some clauses used by participating

companies state that dividends will be paid as if premiums had been paid in cash, or as if disability had not occurred; others made no reference to dividends. The committee feels that the option to use dividends either to purchase paid-up life addition or to convert the original policy into an endowment should not be made available during the continuance of disability, but the laws of several states seem to prohibit any such limitation of the use of dividends.

"Loss of Use" Clause  
Seen as Loss Producer

Total and permanent disability is usually defined as inability to perform any occupation or work for remuneration, gain, or profit, whether the inability results from injury or disease. The following is a very common provision: "Disability shall be deemed to be total when it is of such extent that the insured is prevented thereby from engaging in any occupation or performing any work for compensation or financial gain, and such total disability shall be presumed

to be permanent when it is present and has existed continuously for not less than . . . months. The entire and irrecoverable loss of the sight of both eyes, or the severance of both hands at or above the wrist, or of both feet at or above the ankles, or of one entire hand at or above the wrist and one entire foot at or above the ankle, shall be considered total and permanent disability without prejudice to other causes of disability."

There appears to be a tendency on the part of a few companies to make the loss of use of both hands, both feet, or of one hand and one foot, specific or recognized causes. In the opinion of the committee, the disability loss will unquestionably be higher among the "loss of use" class than among the "complete severance" class, and the committee, therefore, does not recommend the former unless there is a proper additional charge in the premium. The provision for recognizing as permanent any disability which has existed for any stated period less than six months also undoubtedly requires an addition to the usual premium.

It should be specified that proof must be satisfactory to the company, made on the company's forms furnished at its home office, that the company shall have the right to examine the insured and require any additional proof necessary.

CONTINUED ON PAGE 41)



# Annual Address of the President

By LEE J. DOUGHERTY

THERE never has been a time of more radicalism and unrest than during the year just closed. Therefore, I feel that the American Life Convention has occupied a very important place in the business and industrial world. Reports of different companies will show the year, although one of some disturbances, on the whole one of great prosperity. Your American Life Convention has moved forward efficiently and has had real work to do. The 18 years of the American Life Convention's record have been a record of progress and advancement. Your convention has accomplished results that make it an outstanding organization in the life insurance world. Your secretary and general counsel will review the work in detail.

## Legislation Has Been an Outstanding Feature

Probably the most outstanding phase was the handling of an unusual volume of proposed new legislation. Fortunately, few statutes were adopted which could unfavorably affect the business, locally or generally. Several drastic bills were introduced that for a time

been anticipated. Bills proposing amendments failed in Minnesota, South Dakota, Nebraska, Ohio and West Virginia. The bill was enacted in Michigan, Maine, New York and Massachusetts. In several other states where the standard provisions have not been adopted it was not deemed necessary by the local interests to ask for legislation. In two or three states the local sentiment deemed it would be better to ask no new legislation than to take chances on some unfavorable propositions which were being urged.

## Preliminary Term Given Impetus in New York

In nearly all proceedings for the past 18 years you will find some reference to the preliminary term method of valuation and it is pleasing indeed for me to be able to say that the crowning legislative achievement of the year was the enactment of an amendment to the New York life insurance law authorizing recognition of the preliminary term of valuation in that state.

Frankness requires the admission that this is a moral victory since the limitation of the expense section of the New York law, as necessarily construed by the commissioner, does not permit preliminary term companies to do business in New York unless they adopt the New York limits of expense in all states where they are doing business. No preliminary term bill was offered in Massachusetts at this session, but Commissioner Hobbs, following the enactment of the preliminary term law in New York, by a ruling, opened the doors of the old Bay State to preliminary term companies of the country.

## American Service Bureau Developing On New Plan

Upon assuming the duties of office it was my purpose to do everything possible for the growth and development of the American Service Bureau and I take great pleasure in announcing that this organization, which was brought into being at the Omaha convention and was made a part of the American Life Convention in Milwaukee, has now reached proportions which warrant me in stating that it is now in successful operation with a large increase in monthly revenue from inspection reports. The companies are to be congratulated upon this achievement because it demonstrates the value of an institution of this character, capable of competing with inspection bureaus long in the field. Competition in the inspection field has proved the same service as competition in your own line, and that is, it has stimulated every other inspection bureau to an improvement of its service. In my judgment it has held down expense of inspections for every company in the United States. The president of the American Service Bureau, Dr. E. G. Simmons, vice-president of the Pan-American Life of New Orleans, has been untiring in his efforts to make the bureau a success, as have its other officers.

## Cop-operation Widened By All Organizations

The co-operation and cordial relations that have existed between the Life Insurance Presidents' Association and the American Life Convention during the past year was most gratifying. The Association of Life Insurance Presidents was willing at all times to work in full harmony with the American Life Convention. These cordial relations which exist and have existed between the two organizations have done much for the general welfare of life insurance.

I attended the annual meeting of the National Association of Life Underwriters in Chicago and was impressed with the possibilities available to the

great institution of life insurance through this organization of field forces. It was pleasing to observe the friendly attitude of the representatives of the older companies active in this association towards the American Life Convention and its members. In a short address at the banquet I expressed surprise that the association is not represented continually by an executive secretary or an assistant to the president who would relieve the member selected at each annual meeting from a vast amount of labor and toil in promoting the growth and influence of the association. I gave it as my opinion that it seemed to me the life insurance companies of the country could well afford to underwrite the expense of a high grade man who would devote himself exclusively to the interests of the association. I repeat the suggestion here, but without any thought of taking funds from the American Life Convention treasury for that purpose. It is recommended to the individual members as a first class investment for the general good of the business.

## Great Possibilities to Be Found in Field

It is astounding to see the volume of business written in the past ten years by these companies. I am convinced the next ten years will see greater growth and development than the last 20 years. While it is possible the number of companies will not be greatly increased, the volume of business will ultimately reach a hundred billions. We must realize the opportunities for development are constantly increasing. It is wise always to have in mind the fact that every year adds about 10,000,000 to the population of the United States and makes available not less than 2,000,000 of new prospects for life insurance.

While referring to the growth of the companies, it might be well for all of us to give some attention to the opportunities offered for new business on the lives of old policyholders. We should more closely cultivate our old policyholders as they are an asset that should not be overlooked. We of the American Life Convention should turn our eyes to the large volume of new business being written by older companies on old policyholders.

## Text Books Suggested For Publication by Convention

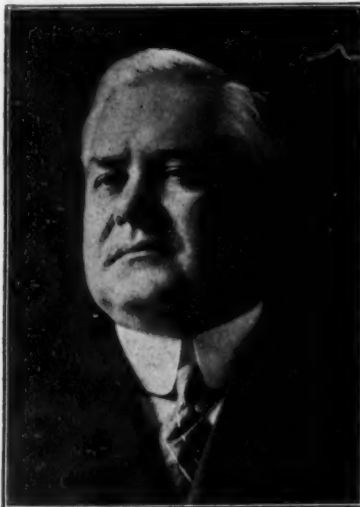
One of our past presidents suggested that a separate function of the American Life Convention could be organized, composed of a section of home office employees. In my judgment this was an excellent idea, but could well be coupled with another plan also suggested by Mr. Taylor for the publication of a text book devoted to home office work but including general instructions on the fundamentals of life insurance. For some time I have felt the lack of real serviceable text books on life insurance topics. Of late it has been brought to my attention by many member companies that although a large number of books have been printed, none are really serviceable. Many articles have been written by member companies on fundamental subjects and I believe the assembling of such articles would be very serviceable. Your attention is called to the excellent publications issued by our secretary during the past year. Personally, I believe it would be wise for the American Life Convention to father and promote a series of text books covering all features of life insurance and life insurance salesmanship.

Many of the younger companies cannot afford to hold salesmanship schools and such text books would be of untold value to them. I am of the opinion that life insurance soliciting will be something like a real profession within the

next few years. When that time comes the school man who has had executive training and knows how to apply it will be more serviceable than the untrained salesman. The American Life Convention companies could well afford to support a good school of instruction in the west. If the companies all become interested they could put a salesmanship school on a solid foundation and all the American Life Convention companies would derive great benefit from such a service.

## Lapsation Committee Recommended by President

Many interesting letters were received in reply to a questionnaire sent out by me last November. While it is impossible to recommend all, yet a number of good suggestions were made. I want to refer particularly to one by a member of the American Life Convention which I have discussed to quite an extent. It seems to be the opinion of many of our members that it would be policy to seriously consider the matter and that is, regarding the extraordinary lapses experienced by most of the member companies of the American Life Convention.



GEORGE KUHN  
President Bankers Life of Iowa

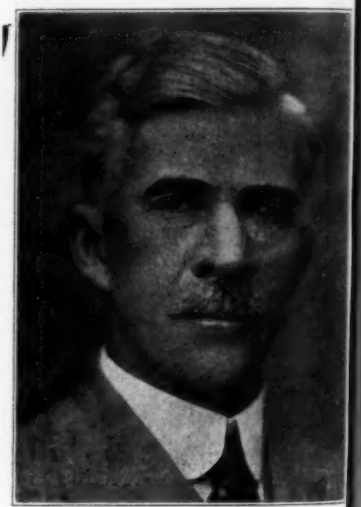
caused some apprehension but which in nearly every case went into the legislative wastebasket. Our legislative report business has been more efficient than in any other preceding year and the co-operative assistance received from our vice-presidents and the Association of Life Insurance Presidents may be given credit for the results prevented rather than those achieved.

Many conferences were held and trips made to bring before the legislators the position of life insurance companies on proposed legislation.

The necessity of keeping in close touch with state and federal legislation, affecting life insurance, demands much time and careful thought. For anyone who has not been brought actively in touch with this work it is impossible to realize how much intelligence and attention is required to prevent unwise legislation and to promote good laws.

## Incontestable Clause Has Caused Disappointment

The convention was disappointed in the fact that amendments offered by eastern friends and our organization to the incontestable clause of the standard provisions were not generally received with the legislative favor. This was due chiefly to changes in the departments and the pressure of other matters. In several states it was not deemed advisable to take any steps looking to new legislation and therefore the amendments were not offered as generally as had



W. A. WATTS, Des Moines  
President Merchants Life

Upon investigation it was learned that of the business transacted by the members in 1932, including reinsurance, the gain in "insurance in force" was less than 25 per cent of "insurance issued, including reinsurance. In other words, about 75 per cent of the new insurance of the year was required to replace the which was canceled.

Manifestly something should be done to correct this situation, and as stated by this member company, no single company can correct the condition for itself and no small group of companies can correct it for themselves but cannot 150 companies acting together correct it? The remedy is not far to seek if all will approach the problem with good intent. Therefore, recommend the appointment of a committee of five to consider and report to the convention next year on methods of preventing lapses, or devise and present plans at least minimizing this tremendous waste. A thorough survey no doubt would develop a report which could correct the situation.

If we are allowed to judge the future by the past I feel we can look forward to a great future for the life insurance business. We are passing through the period of deflation and adjustment satisfactorily. The many needs for life insurance are being brought to the minds of the insuring public and it is safe to say the growth of life insurance during the next few years will be the greatest period we have had.



# Banking's Relation to Life Insurance

By WALTER W. HEAD

**L**IFE insurance has two functions. Primarily it guarantees to those who are dependent upon the insured at least a part of the economic value of his life. As a secondary purpose, it constitutes a form of investment.

In its principal aspect, life insurance involves the transfer to a large number, of the liability of the individual's risk of death. Life insurance recognizes the fact that the average life is a relatively fixed period, subject to definite calculation, but that each individual life is uncertain, defying exact definition. As an investment, its secondary function, life insurance retains always its regard for the emergency of uncertain factor. Life insurance constitutes an investment designed not for the ordinary purposes or to meet the expected needs of a lifetime, but to form a special reserve to protect the insured against unforeseen contingencies.

Life insurance qualifies itself in its investment aspect in two ways. Endowment policies provide for payment of the principal sum at the expiration of a fixed number of years, even though

and banking supplement each other; each supports and strengthens the other.

## Banking and Insurance Dependent on Each Other

With each succeeding year banks and trust companies are increasingly dependent upon life insurance companies and insurance companies are increasingly dependent on banks and trust companies. The bank loans money to its customers. It determines the credit of the prospective borrower by considering his character and ability no less than the collateral which he offers as security. If the borrower dies, his character and ability no longer are assets supporting his note to the bank. Life insurance becomes the safeguard against such a contingency. Its use protects the bank or other creditors against the possibility of the death of the individual in whom they repose trust.

The insurance company, on the other hand, collects vast sums as premiums from the individuals whom it insures. These receipts form the fund out of which it pays the principal sums due the insured or his beneficiaries when the policies mature. Unless the com-

pany's condition remains stationary or declines, which, be it said to their credit, is true of few life insurance companies, large funds accumulate as a reserve against the time when the principal sums become due. These funds must be invested and the insurance companies find that banks and trust companies are invaluable aids in securing safe investment opportunities.

## Life Insurance a Factor With Bankers

The first test applied to the applicant for a bank loan is the test of character. Is he honest? Is he competent? Is he diligent? In each case, the possession of life insurance helps to answer the question. The banker knows, from long experience, that the man who is intellectually honest will not fail to provide for the protection of his family; he will have purchased life insurance. The man who cares naught about protecting his family is not apt to care much about protecting his banker. Possession of a life insurance policy does not, of course, constitute a guarantee of honesty but lack of it certainly raises a doubt in the banker's mind as

labor, how to deal with government, how to discount the influence of a myriad of factors, including world economics and world politics. The four former essentials of any business—capital, labor, raw material, market, now have a fifth: management.

This means that bankers, in financing a business, must pay particular attention to the question of what may happen to their security if the management is altered by death. The question is answered by insuring the life of the managing official or officials in favor of the business or those dependent upon it. The extent to which that is necessary depends upon the nature and size of the business and the quality of its leadership. Realization of its importance has added a new qualification to those required of business executives: The individual should not only be a capable executive, but he should be an acceptable insurance risk.

Capital, as well as management, by means of life insurance, may well afford to protect the business in which it is invested. Inheritance taxes are an increasingly popular form of raising



WALTER W. HEAD, Omaha  
President American Bankers Association  
(Courtesy Bankers Monthly)

the insured may live beyond the period. In addition, insurance policies have a loan value which permits the insured to borrow against the policy.

## Life Insurance Differs from Regular Saving

This represents the true functions of life insurance. Life insurance is not a system of saving, primarily, although it encourages saving and depends upon saving. Life insurance is the purchase, on the part of one individual, of an interest in the savings of a large number, the individual's profit depending principally upon the altogether uncertain element of the length of his own life. He may make use of the loan value of the insurance policy but when he does, it is to meet an emergency. This is not his primary purpose when he buys insurance.

We must never fail to recognize that the principal purpose of insurance is protection against contingencies not definitely ascertainable. Life insurance endeavors to safeguard against uncertainties; banking endeavors always to realize upon certainties. Each in some degree at times exercises functions which are particularly in the province of the other, but fundamentally the distinction stands throughout their entire operation.

The fact that the two have fundamentally different purposes does not, however, arouse any antagonism of interest. Rather, the contrary is true. Insurance

Walter W. Head, president of the Omaha National Bank and the Omaha Trust Company, is a national figure among the banking fraternity, having been chosen president of the American Bankers' Association at the recent annual meeting of that body. It was fortunate that the head of the great institution of banking in this country could be present and express to the officials of the life companies of the American Life Convention the regard with which bankers now hold life insurance. The spirit of cooperation between these two great American institutions has been growing with leaps and bounds in recent years and the message given by Mr. Head was a further example of this development. His speech was a tribute to life insurance and a credit to banking.

pany's condition remains stationary or declines, which, be it said to their credit, is true of few life insurance companies, large funds accumulate as a reserve against the time when the principal sums become due. These funds must be invested and the insurance companies find that banks and trust companies are invaluable aids in securing safe investment opportunities.

These constitute the two outstanding features of the relationship between banking institutions and insurance companies. It is a relationship steadily increasing, both in the amounts involved and the strength of the bond between them.

## Both Are Trustees With Sacred Trust

In the case of both banks and insurance companies, the relation to one's customers is in the nature of a sacred trust. No other business has this element in such a degree. In no other business does incompetence or dishonesty bring such widespread disaster. When a bank or insurance company fails, it is not a question merely of loss to stockholders. It is not merely that losses are sustained by ordinary commercial creditors, men accustomed to the risks of business and able to exercise due precautions in their own behalf. When a bank or insurance company is mismanaged, when its funds are misused, the principal burden falls upon the policyholder or depositors who, with every confidence, have placed their money in the hands of men upon whom they depend for the future protection of themselves, their business and their families.

The man or woman who deposits money in a bank expects the interest which is paid on a savings or a time deposit, but the principal service desired

to the borrower's willingness to consider the interests of others who are dependent upon him—either in family affairs or in business. Every man who thinks clearly recognizes the necessity for reasonable protection of his family in case of his death; therefore possession of adequate life insurance gives some indication of the mental capacity of the prospective borrower. The man who fails to take out sufficient life insurance to protect his dependents—within the limit of his ability—is not properly analyzing his own affairs; he is not "thinking through" his own financial problems. In addition, the man who carries life insurance over a period of years must be accorded credit for persistence and diligence in setting aside the fund necessary to pay the premiums. He gives proof not merely of a sudden inspiration but of a steady, insistent desire to set aside a part of his earnings each year for the service of others—his family or his creditors.

Possession of life insurance gives some indication of the borrower's recognition of his obligation to others, some indication of his ability to think clearly, some indication of his diligence.

## Protecting Loans Is Important Function

As business becomes more intricate and more far-reaching, more dependent upon accumulated inter-relations and affected to a greater extent by happenings throughout the world, the success of a given enterprise depends upon some one individual or group of individuals. Never before has management, the character and ability of the men at the head of an institution, meant so much. A successful executive today must know not merely the production methods and the sales field of his own business; he must know how to deal with



W. R. C. KENDRICK  
Iowa Insurance Commissioner

revenue for public purposes. They weigh heavily upon large estates. The payment, in cash, as the government requires, may mean the serious embarrassment of the business. In addition to protection against loss of management, the banker therefore has reason to inquire into the extent to which the prospective borrower has insured the continued and unimpaired operation of his business after his own death.

## Loan Values a Source of Bank Cooperation

The loan values of life insurance policies furnish a further source of cooperation with banks in matters of finance. Investment of capital, either through stock ownership or through loans, constitutes the use of funds accumulated from the profits and the savings of the past. In time of emergency these may not be sufficient. Then it is that life insurance may be used to furnish emergency capital, by drawing upon accumulations set aside for the future, in a sense not by using the accumulation of the past but by drawing upon the reserves set aside for the future. In periods of economic depression like that of 1920, 1921 and 1922, many men were saved from certain financial ruin by the loan values of life insurance policies. Insurance loans were, to them, the "last straw" which prevented their sinking.

Permit me, however, to sound a warn-

ing note against the too ready use of the surrender and loan values of life insurance policies. It may be said that, as a banker, I am interested in the release of life insurance reserves for purposes of active commerce and industry. But, as a citizen vitally interested in the underlying stability of our economic and social problems, I am most earnestly desirous that these reserves be maintained for the purpose for which they are created, the protection of the family or business of the insured in case of his death, that they be used only for other purposes as a last resort. Life insurance has a social as well as an economic and financial aspect. With some exceptions, it is safe to assume that no man carries more insurance than his family or his business would require in case of his death. His purpose, when he buys insurance, is to assure that protection. When he borrows upon his policy, he reduces the protection. There are times when this action is justified, times when an insurance loan may save a much larger investment. But it is a serious matter, to be undertaken only in grave emergency and for a purpose unquestionably justified.

#### Banks and Life Companies Work Together

Insurance aids banking by safeguarding business. Banks and trust companies are of service to the insurance companies in connection with the accumulated insurance reserves, which now reach tremendous totals. The investment of these funds has been a problem of increasing importance and intricacy. Banks and trust companies, equipped in organization and by years of experience, have been and are able to give substantial assistance in its solution.

Life insurance reserves have grown to such tremendous amounts in recent years that no one field of investment can afford an adequate outlet, consistent with requirements of safety and continuous investment opportunity. Insurance companies for many years invested heavily in municipal bonds and in railroad securities of the higher grades. As their resources grew, they turned increasing attention to real estate mortgages and today they are second only to the farm land banks in their importance as mortgage investors.

One result of this relationship has been that the average banker looks with greater favor upon insurance. Instead of seeing a steady flow of money out of his community, in the form of insurance premiums, he now sees also the money which comes back to the community in the form of mortgage loans and the payment of principal sums upon the death of the insured.

#### Insured Trusts Most Recent Development

Another still more recent development is the use of the trust companies as an agency for carrying out the wishes of insurance policyholders. Frequently, insurance funds are placed under the control of trust companies who administer them for the benefit of the beneficiaries, in accordance with the direction of the insured. In some cases, this has included the establishment of "community trusts," where large amounts have been set aside for public or charitable purposes, the detail of administration being left to the judgment of the trust company. Trust companies also frequently become trustees for securities or other property, under instructions which provide that they use the income to pay insurance premiums. This plan has certain advantages in reducing income taxes and also makes certain that there will always be a fund sufficient to keep the insurance in force.

In the determination of investments—in deciding the extent to which they will invest money in certain fields—the insurance company executives have the power to exercise a great influence upon the development or prosperity of certain sections of the country or certain lines of commerce and industry.

This is a time when intelligent, unselfish leadership is the need of our country. We are drifting, drifting too far from established standards and with too little intelligent direction. With

## Distribution of Life Insurance Assets and Value as Stabilizer

By MASSEY WILSON

President, International Life of St. Louis

THE ASSETS of American life insurance companies, a huge gyroscopic fund that shapes with each revolution the course of national finance, form a background for the industrial history of modern America.

The dam that impounds \$9,000,000,000 in a reservoir of life insurance assets is at once the valve of safety through which golden streams course throughout the industrial arteries of the nation; it treasures the life-giving fluid in freshest time only to vitalize the arid areas in time of drought.

Such a fund, strongly stored as it is and redolent of the human energies and thrift locked up in the 50,000,000 and more outstanding policies of the American life companies, is the stabilizing financial factor of the nation. It functions in sharp contrast with the movements of other great national funds.

It is that elasticity which has served the nation in a crisis but which holds potential danger, as witness recent utterances by the American bankers to arouse the nation to a presage of ruin, that is the word they used, that would follow the seizure of our federal reserve system by politicians.

Nine billions of dollars of life insurance assets, tripling in volume in 15 years and responding always to the true law of supply and demand, project themselves solidly into the permanent texture of finance. And during 60 years of accumulation the companies have paid out another \$11,000,000,000 which is still privately retained in large part by policyholders and beneficiaries as a portion of the national working capital. The accumulation is impressive because much of the total of \$20,000,000,000 accounted for with singular integrity by the life companies during two generations is capital now working for industrial development. It is capital which would have been dissipated frivolously had not life insurance, with its great array of militant solicitors, promoted its unique appeal and exclusive facilities.

As the federal reserve system has been effective to check the more violent swings of the pendulum in ordinary business cycles, these huge popular savings, distributed widely as life insurance assets, have maintained their naturally stabilizing position over periods measured by decades and generations.

Happily the power vested in life insurance assets is devoid of menace. It is the power of capital that represents largely the thrift and stored-up labor of the nation. The direction of such power is normally and inevitably limited to the promotion of further thrift and more stored-up labor.

The thrift and labors of more than

half the population of this country have piled up the vast life funds that rotate and return constantly into the stream of American life, growing persistently in storage only to confer ever increasing stimulus to the thrift of the community.

But these funds revolve slowly and thus tend to steady the volatile tides of commercial life. Each of the many millions of Americans contributing to the maintenance and growth of the huge revolving fund enters into a protective savings contract for life—often the span of two generations is the time measure of the contract.

#### Life Companies Now Hold Unique Position

Life insurance companies have a unique place in the investment world. They are the only large investors able and preferring to retire from the market long time securities. Banks must keep their funds fluid. Insurance companies should not and do not. The two institutional types therefore are complementary and argue for their mutual growth side by side over the country.

As to territorial distribution of assets it is too early for the statisticians to furnish completed figures for the calendar year 1922, but more significance will attach to trends described over decades or longer periods. These figures show territorial distribution during the decade ended Dec. 31, 1921, by ratio of investments of life insurance companies to their reserves: Investments decreased from 56 percent to 51 percent in the New England states, from 121 percent to 84 percent in the Middle Atlantic states, from 114 percent to 94 percent in the central northern states. Other regions enjoyed the following increases: South Atlantic states from 117 percent to 147 percent, Gulf and Mississippi Valley states from 107 percent to 143 percent, southwestern states from 172 percent to 178 percent, northwestern states from 251 percent to 285 percent. The Pacific group shows a decrease in ratio from 137 percent to 122 percent, but investments were increased in dollars in that territory from \$218,000,000 to \$458,000,000.

Of the eight groups mentioned only three have a percentage of investment less than the reserve and these groups are situated in the thickly populated parts of the country—New England, Middle Atlantic and North Central states. The highest proportion of investments to the amount of business in any one section is shown in the northwestern states, where the ratio is nearly three to one. The next highest

coast. The people of our country have purchased life insurance policies in number without precedent and for tremendous amounts. The American people may have been lured to follow false gods of finance, but they have not failed at least to cast an anchor to windward.

#### Banker and Insurance Executive in Joint Service

It is under these conditions that there arises the need for leadership, intelligent, conservative, enlightened, self-sacrificing leadership. The call goes to every American citizen, regardless of his position in life or the nature of his task. It should appeal with particular force to the banker and the insurance executive because of their greater appreciation of the need, because of their special opportunity, because of the inspiration which comes from their knowledge of the vast importance of their particular task.



MASSEY WILSON  
President International Life

is in the southwestern states where the proportion is nearly two to one.

Thus life insurance funds, unfettered except by sporadic state legislation, gravitate from the populous states, where capital is cheap, to the frontiers where the need of capital for development is most urgent.

The investment of life insurance funds is coincident with the railway growth. As far back as the year 1860 there were 30,626 miles of railway trackage in the United States. The 19 life insurance companies reporting to the Massachusetts insurance department exhibited only \$22,000,000 of assets. It was then that the railways were in pressing need of long time funds for frontier construction and the life companies more than any other single agency met the requirement. The two great pioneer enterprises hand in hand reclaimed vast western empires and sent the United States coursing on the way that was to lead it to its present position of primacy among the nations. From 30,626 miles in 1860 the railroads increased to 253,620 miles in 1917, the year of maximum railroad mileage. American life insurance investment in railways has risen from \$256,000 in 1860 to \$1,985,000,000 in 1921.

#### Railroads and Life Insurance Grow Together

Life insurance assets have had as much influence in the development of railways as they have had upon the agricultural interests brought to life by railway penetration and at this time life insurance has a vested interest in railways so great that more than 50,000,000 Americans, members of the life companies, are directly affected by the progress of the national railway system. They must be brought to realize the direct loss they will suffer, a loss falling on each of the 50,000,000 American men, women and children, if untoward influences move the congress and state legislatures to throttle the further development and service of that great arterial system that normally replenishes waste and brings vigor and happiness to the whole national body.

Real estate ownership has never figured prominently in the distribution of life insurance funds but those funds in the shape of mortgage loans have kept pace with the real estate development of the country. Just prior to the Civil War mortgage loans constituted the majority of assets of all life insurance companies and at one time ran nearly 60 percent of the total while bonds then were only 9 percent of the assets. During the Civil War funds of life insurance companies were heavily invested in government bonds. At that time we find mortgage loans reduced to nearly 30 percent of total assets and government bonds advanced to 25 percent.



# Present Day Scope of Life Insurance

By J. M. LAIRD

**M**ODERN life insurance enables a man to build up an estate for himself or his family by simply making regular deposits as the premiums fall due. But what is to become of this program if on account of injury or sickness he is unable to make these deposits? In that case, the modern policy not only relieves him from payment of premium but also provides him with a substantial income without reducing the amount payable at death or maturity.

Life companies are permitted by law to cover "permanent total disability." Only a few years ago a common question was "Has this policy a disability clause?" Most people had only a vague idea as to what was meant by disability clause, but knew that if the policyholder lost both feet, he would not need to pay the next premium. Today the question is not "Has the policy a disability clause?" but rather "What form of disability coverage is granted?" "What do we mean by permanent total disability?" and "What is paid in case of such disability?"

Under the old type of clause disability must have continued through a proba-

sons there has been an increasing tendency for progressive companies to define permanent total disability as any total disability which has lasted three months. After the insured has been disabled for three months, he is thereupon entitled to benefits and no questions are asked as to whether the disability will probably end in death or recovery. This definition entirely removes any question as to what is meant by permanent.

Today it seems unfortunate that the law requires the continued use of the word "permanent." It would be better if companies could state in the contract that they cover any total disability after a reasonable waiting period—two weeks, three months or six months.

## Comparison Made With A. & H. Coverage

A few years ago critics of the disability clause maintained that it was indefinite and covered such a remote contingency that it was of little value. Today, on the contrary, many well informed persons claim that the modern clause just described is so liberal that it is virtually accident and health insurance and does not properly come

practical. Then one or two companies introduced such a form on conservative lines. This was followed by a short period of enthusiastic competition during which companies vied with each other in offering this insurance at inadequate flat rates regardless of age at issue. After a few months of study and experience most companies lost their enthusiasm for the noncancellable and adopted higher and more scientific rates.

## Is Practically Same as Disability Clause

The most popular plan of noncancellable now on the market pays benefits as long as total disability continues, but eliminates the first three months of disability. This is precisely the same coverage as is now granted by many progressive life insurance companies as an integral part of the life contract. There is, however, one big distinction—the accident companies, backed by years of experience in handling health insurance, are afraid of an adverse experience on this contract, particularly if it is issued in large amounts. They are, therefore, selling comparatively little of this business. On the other hand, life insurance companies feel that where this sickness

ability after a waiting period of six months, the number of claims increases from 4 to 22. If we reduce the waiting period from six months to three months and use the modern clause covering any total disability after a waiting period of three months the number of claims rises to 57.

## Additional Accidental Death Benefit

The modern disability clause is not only popular but logical. It enables the policyholder to face the future with a confidence which cannot be secured in any other way. Can we say as much for additional accidental death benefits? No, it is illogical to pay \$10,000 for death by pneumonia and \$20,000 for death in a railroad wreck. At the same time we know that this provision has a definite sales value. The hazard of accidental death is brought home to us every week in some dramatic form. The average man instinctively feels that he should make some special provision for his family in case he should be suddenly struck down in his prime by an untimely accident. For years this coverage has



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Actuary Connecticut General Life

tionary period of, say, six months and must then be presumably permanent. Some companies have reduced this period from six months to two months. Others have completely eliminated the probationary period and pay benefits from the first day of disability but only if the disability is presumably permanent. These policies covering from the first do look attractive but leave room for doubt as to what is meant by presumably permanent. Some consider that disability is "permanent" only if it ends in death and that it is "presumably permanent" only if it is so severe that there is no reasonable hope of ultimate recovery. Others hold that any long illness is permanent. For instance, in a recent case the supreme court of New York held that tuberculosis continuing for 16 months followed by recovery was permanent disability within the intent of the policy.

## Dangers in "Presumably Permanent" Clause

A policy covering only disability which is presumably permanent is unsatisfactory in two respects. First, it is frequently difficult to tell in advance how long the illness will continue and whether it will probably prove fatal. Second, after the policyholder has been laid up a certain time he needs the money even though he may then be on the road to recovery. For these rea-

J. M. Laird, actuary of the Connecticut General Life, is one of the outstanding figures among American actuaries. He has always been active in the actuarial societies and in all statistical work, in both life and casualty groups. Mr. Laird has been one of the greatest contributors to the actuarial proceedings, his numerous papers presented before the Actuarial Society of America, the American Institute of Actuaries, the Casualty Actuarial Society and the Bureau of Personal Accident & Health Underwriters being closely read and looked upon as authoritative reference works. Mr. Laird is one of the recognized actuarial authorities in this country and his remarks on life and accident underwriting carry the weight of deep and careful study from the conservative viewpoint of a student and recognized actuary.

within the scope of life insurance. They recognize the social value of this protection, but claim that this phase of personal insurance should be left to accident and health companies.

Commercial accident and health insurance provides two major benefits: A principal sum payable in case of accidental death or serious dismemberment; and weekly indemnity payable during total disability caused by injury or illness. The policy is issued for a term of three, six or twelve months and may be cancelled by the company at any time. Furthermore, although usually it covers the entire period of disability due to injury, it generally covers only the first 32 weeks of disability due to sickness. In the case of serious sickness lasting more than one year the insured is therefore left without any protection after the first twelve months. In fact, under the disability portion of commercial contracts 50 percent of the claim payments are for the first two weeks of disability and 90 percent for the first three months.

## Noncancellable Form Has Entered Field

Now there should be some way by which a healthy man can be guaranteed an income during serious illness occurring in his productive period, no matter how frequent or how prolonged such illness may be. Such coverage cannot be obtained under commercial health insurance because the health policy may be cancelled by the company and because in any event sickness payments usually cease at the end of one year of disability.

But what about noncancellable accident and health insurance? Prior to 1915 most underwriters felt that a noncancellable policy was unsafe and im-

insurance is linked up with life insurance the experience will be more favorable and they can safely enter this field which the accident companies are not adequately covering.

It is clear, therefore, that this modern disability clause granted with life insurance has a definite social value and that it gives the public a form of coverage which cannot be secured under commercial health insurance and is not being sold in any volume under noncancellable policies. Life companies deserve credit for thus extending the disability provision. At the same time they must recognize that in so doing they have embarked on noncancellable health insurance, the very thing which experienced commercial companies feel requires the utmost caution.

## New Clause Will Change Claim Situation

Under the old disability clause life companies have become accustomed to handling prolonged claims for tuberculosis, paralysis and insanity. Under the new clause they will also have many claims for temporary illnesses such as influenza and typhoid fever as well as for injuries such as fractures and strains. This means new problems for salesmen, medical directors, underwriters and claim adjusters.

As the definition of permanent total disability is liberalized, there is a corresponding increase in the number of claims. From sickness tables it has been estimated that if 100 men take insurance at age 30 and continue their policies to age 60 there will be four claims for permanent total disability of the old type, that is, total disability which has lasted six months and is then presumably permanent. If we liberalize this definition in such a way as to cover any total dis-



H. W. JOHNSON, Central Life  
Former President of Convention

been furnished by commercial accident companies, but now it can be secured in conjunction with life insurance on a more permanent basis and at a lower rate. If the amount on any one life is kept within reasonable limits and if the business is carefully selected apparently a favorable experience can be secured. If properly used this feature becomes an important factor in furnishing clients with complete personal insurance.

## Organization of A. & H. Department Questionable

If we admit the value of a liberal disability clause and of accidental death benefits in conjunction with life insurance, must we also establish an accident and health department? Under modern conditions life insurance and accident and health insurance go hand in hand. Each branch helps the other. Frequently the new agent starts in accident and health insurance and later develops a systematic campaign in life insurance or in both lines.

A fairly large life insurance company, with ample resources, may properly open an accident and health department, but it should not look for a profit on this business for a number of years.

On the other hand, most life insurance companies which have not already opened such a department can afford to leave that branch of the business in the hands of the established commercial



# Don't Label Him

"Our agent at Bruceville" is never the tag put on a Lincoln National Life salesman.

He is always known as Roger Jones or William Royce, or whatever his name may be.

He is an individual and not just one in the great sales army. He is entitled to personal attention. Workaday problems, which are very serious to him, are taken seriously by his Company and all possible help is dispatched to his aid.

He is doing his best to build up the service standards of the Lincoln National Life in his community and his Company is doing its best to make his work effective and profitable to him.

Because of the financial benefit of this close personal relationship between Mr. Lincoln Life Salesman and his Company, it pays to

LINK UP WITH THE LINCOLN



## The Lincoln National Life Insurance Company

"Its Name Indicates Its Character"

Lincoln Life Building Fort Wayne, Ind.

Now More Than \$280,000,000 In Force

companies and confine their attention to liberalizing their life policies and building up an organization for properly handling the new problems inherent in the incorporation of accident and health provisions in life policies.

Should a progressive well established life company issue group insurance? The group idea is sound and group insurance is here to stay. It has proven its value in the industrial boom of 1919 and the depression of 1921. The mortality has been favorable. It has an advertising value not only where groups have been written, but throughout the entire territory. If a prospect for any form of insurance says "I never heard of your company," the agent need only point with pride to a list of representative group policyholders with a national reputation.

It is comparatively easy to arouse an agent's first interest in group insurance. As he sits at his desk, he admits that within a small radius may be found a large number of the most progressive corporations in the country and he is confident that several of these will be glad to buy group insurance.

There is, however, another side to this picture. You must first sell the group idea and then in the face of keen competition secure the business for your company. Sometimes when you have apparently overcome all difficulties, an outside broker with personal influence diverts the business of a competitor. The closing of a case usually requires long patient attention and the services of an expert. The company must maintain a well organized group department with a number of trained men available for service at any point.

### Contributory Plan Is Increasing in Popularity

The contributory plan under which the employer pays part of the premium and the employee the balance is increasing in popularity. This means a still larger organization in order to sell the group idea to employees as well as to employer. There is an increasing interest in group disability and in elaborate quotations showing the cost of pension plans. After the group has been placed, we must co-operate with the employer and the employee through a service department organized to hold and increase the interest in group insurance.

The direct financial profit on group insurance is small. If the mortality on a large group is favorable, the employer may decide to carry the insurance himself. Invariably a favorable experience is followed sooner or later by increased dividends or reduced rates.

Group insurance is full of new problems. Probably it will never take the place of industrial insurance, but it has already made a new place of its own and it is still in its infancy. To the progressive employer and his employees it has a strong appeal. To the insurance company it opens up an ever-widening field of opportunity.

Life insurance is still in a state of evolution. Its scope is being continually broadened. In any complete program of modern life insurance there is abundant room for a liberal disability provision, accidental death benefits and group insurance.

### Attend the Legal Sessions

President John R. Paisley of the Standard Life of St. Louis, saw the Legal Section through all its sessions. He patiently observed its wisdom. Another official who always sits through the legal meetings is M. L. Blackburn, secretary of the Bankers Life of Lincoln. President W. H. Hunt of the Cleveland Life attended some of the legal sessions.

One of the welcome visitors at the convention was J. H. Higgins now president of a health insurance company at Indianapolis but who was formerly vice-president of THE NATIONAL UNDERWRITER.

**Welcome!**

**AMERICAN LIFE**  
**Convention**

**Guaranty Life Insurance Company**

**Davenport, Iowa**

**L. J. DOUGHERTY**  
**Secretary and General Manager**

**Home Office:**  
**DAVENPORT, IOWA**

# Courts, Law Makers and Companies

By W. W. MOORE

At the outset I wish it to be clearly understood that I am an optimist and not a pessimist on this subject. I believe that public confidence in the integrity, good faith and high purpose of the life insurance companies of America is steadily increasing. The growth in popular esteem of these public service institutions during the past decade has been sufficiently marked to suggest the possibility of the dawn of a new era of mutual appreciation and understanding between the companies and the public.

The purpose of this paper is to draw attention to that fact in the hope that when more serious thought is given to it some organized and systematic method may be evolved for the better enlightenment of the public on the fundamentals of life insurance and the high and unselfish purposes that in the main are actuating the men engaged in the life insurance business in America today. If this be done and well done, a far more sympathetic understanding and a vastly improved mental attitude, on the part of the public toward the companies and the institution

the forms of policies were changed in an effort to avoid similar claims in future.

The attempt to so construct policies as to leave loopholes for avoiding the payment of claims was naturally met by an attempt on the part of the courts to find a way around these loopholes and probably had much to do with the custom now prevailing of most rigidly construing the language of the policy against the company.

This doctrine, however, has been carried beyond all reason, the plain meaning of words often being distorted to support a verdict against the company. In many instances the statutes governing insurance matters, and even those prescribing standard policy provisions, have been subjected to this same iniquitous doctrine as though they were unilateral contracts purposely drawn to mislead.

## Remedy Largely a Matter of Education

What is the remedy? Here is what the learned general counsel of one company says: "When the public is made to understand the unspeakable importance of life insurance and is made to believe that life insurance companies are honest and fair, then I believe the

challenged remarks of others, that the insurance companies are amassing great wealth at the public's expense. Let the public know that "Gains in Policy Reserve" are not gains in assets, but gains in liabilities—to meet which the companies must maintain at compound interest a corresponding amount of certain and safe securities.

These securities are getting so enormous in the aggregate the companies can no longer risk the public misunderstanding their nature and the necessary part they play in meeting policy obligations. If all of the assets of the legal reserve life insurance companies of America were formed into a solid band of one dollar bills, that band would be long enough to girdle the earth at the equator 25 times and then reach to the moon. These assets protect insurance approaching \$50,000,000,000, or 25 times the amount in force 4 years ago and 8,000 times the amount 80 years ago. Already the companies have paid policyholders and beneficiaries a sum equal to \$12 a minute since the birth of Christ.

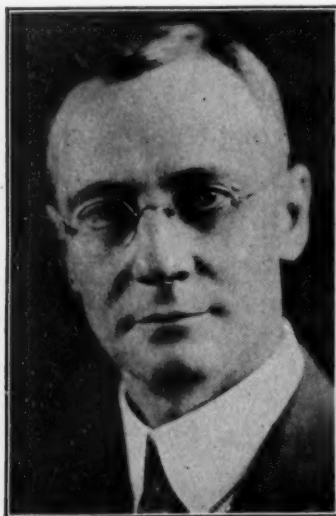
One step that might greatly promote the objects sought would be the creation of a Bureau of Education and Publicity. Such bureau might seek to attain the following results, first, with the companies:

be of aid to him in correcting the impairment.

## Bureau a Guide for Public Opinion

The bureau might attain the following, secondly, with the public:

1. The regular publication of life insurance news, advice, facts and figures in pamphlets and folders, and by as many newspapers and magazines as possible. Such publicity would cover the benefits of life insurance to the state and to society in general, as well as to the individual, the home and the family. It would also cover the work done by the companies in caring for the health of policyholders, and their contributions of money and effort to promote longevity and a lower mortality rate.
2. The establishment of courses in life insurance in schools and colleges.
3. Lectures on life insurance, stressing its great service to the public, before student bodies, boards of trade, civic clubs and like public gatherings.
4. The drafting of men from the staffs of the companies themselves,



W. W. MOORE, Louisville  
Vice-President Inter Southern Life

of life insurance in general, will follow as surely as the night the day.

Courts, juries and law makers, being a part of that public, and in the discharge of their own functions certain to reflect the public's attitude as they understand it, may then be trusted to listen more impartially, if not more sympathetically, to the claims for simple justice and unprejudiced action which is all the great heart of American life insurance asks of anybody today or will ever ask again.

## Time Has Greatly Changed Attitudes

Perhaps much of the improved mental attitude of the public, so far gained, may be attributed to the creditable way in which the companies weathered the storm of war and influenza losses; that vast onslaught of claims not only having been met promptly, and without a single default, but with a spirit of liberality and generosity never before approached in the annals of business. Let it be said also, and to their everlasting credit, that not a single company succumbed as a result of this liberal treatment of policyholders during and after that distressing period.

But this spirit has not always obtained. In the early days of life insurance, in its formative state, claims were frequently viewed in the light of a calamity and every legitimate effort employed to avoid their payment. Often

prejudice against them in the minds of courts, juries and legislators will pass, but it never will pass until the results suggested are accomplished."

Education is the real answer, but it should begin with ourselves. First of all the companies should learn that any and every form of bombastic, braggadocio advertising should be avoided as one would a plague. It is not what a company does for itself but what it does for others that wins for it any measure of public esteem. A corporation lacking personality has no other means of self-expression.

## Style of Advertising of Utmost Importance

Let the writer of advertisements replete with such expressions as "Watch Us Grow," "Pyramids of Progress," "Enormous Gains in Business and Assets," "Reserve Gains," "Surplus Gains," "All Records Broken," "Greatest in Our State," "Greatest on Earth," etc., etc., ad infinitum, ad nauseam, picture himself boosting such gains and greatness to a court and jury engaged in trying a case between his company and some dependent beneficiary, or telling the same story to some body of law makers full of demagogues and "Pro Bono Publicity" seekers looking for something to regulate or searching the horizon for new sources of revenue by taxation, then it may be that he will want to tone down such statements a bit and say something about how many claims his company pays and how quick it pays them. He might also want to talk about how much poverty and crime is saved thereby, and how much more good his company could do, and would do, if it was better protected against fraudulent claims, unfair treatment and burdensome taxation.

The impression must not be made, either through faulty advertising or un-

1. A fuller recognition of the danger of reaction on the companies of claims litigated and lost, to the end that such litigation be limited as far as possible to those cases involving fraud, gross and material, or injustice to the company and its policyholders too serious to be borne in good conscience; and only then when a successful issue seems certain.

2. The careful avoidance of any spirit of boastfulness in advertising and the elimination of every kind of advertising tending to create in the public mind the impression that the company is accumulating wealth; that it is conducted for private or corporate gain; or that it is actuated by any spirit, ideal or purpose other than to do the greatest good possible to the greatest number of people.

3. Greater simplicity and uniformity of contracts.

4. Avoidance of small type, illegible photographic, ambiguity of expression and other such potential causes of suspicion and distrust in policy and application forms.

5. Uniformity of purpose to render policyholders and the public the fullest measure of service consistent with safety and sound principles of underwriting.

6. Encouragement of a uniform manifestation of an equally liberal spirit toward the public on the part of fire, accident, health and liability companies, with considerable benefit to the public, to themselves and to the life companies.

7. The avoidance of all unnecessary friction arising from the rejection or rating up of risks. The uniform adoption of the best plan that can be thought out for handling this delicate matter, not only in a way that will not hurt or offend the applicant, but, if possible,



DR. T. C. DENNY  
Secretary Central Life of Iowa

home office and field, for lectures and talks on life insurance and for articles on the subject for publication.

5. The creation of a committee on insurance in every chamber of commerce.

## Could Clear Many Present Misunderstandings

6. The giving of the widest possible publicity to the fact:

That life insurance companies are honestly striving to give the public the fairest possible treatment in the matter of premium rates charged and dividends paid, and in the one way the other or both, are giving policyholders the full benefit of any improvement in mortality growing out of better health and living conditions. The need for this is most urgent.

That life insurance companies are ready and willing and glad to pay all legitimate claims and pay them promptly;

That the premiums are mathematically calculated to cover all honest claims, but contain no provision for dishonest claims, which must be resisted for the protection of other policyholders;

That in drawing policy contracts, the language employed in framing conditions is intended to prevent fraud and misunderstanding, and is not employed for the purpose of escaping honest claims;

That it is the custom of the companies to resolve all doubts in favor of the insured.

When the courts understand this bet-



**Life  
Health  
Accident**

**Agents  
Wanted  
Everywhere**

**Agency Contract  
on  
Partnership Basis**

## A LIFE WORK

To make the most of any occupation, a man must resolve that it shall be his life work.

With that mental attitude and a determination to succeed, he will prepare himself thoroughly and apply himself assiduously. This program will insure the maximum of results to himself and of service to his patrons.

To engage in life insurance, however, requires neither capital nor a long period of training. Sufficient education regarding it to make a start can be obtained in a few weeks. In most cases this can be secured while one is engaged in some other line.

Good financial returns are desirable in any calling, yet other factors contribute much to a man's happiness and general well-being. The advantages of life insurance in this respect are second to none.

**A life insurance agent has an opportunity**

- To select his own customers;
- To do business with successful men;
- To make money during business depressions;
- To work when others are idle;
- To work as many hours a day as he wishes;
- To advance on his own merits;
- To set his own income;
- To constantly increase his clientele;
- To broaden his acquaintance;

**To extend his friendships;**

- To learn how others think and work;
- To help men make good in life;
- To induce them to become better citizens;
- To help business men avoid bankruptcy;
- To help get better education for children;
- To protect widows and orphans;
- To keep families together;
- To keep old folks out of poor houses;
- To keep children out of orphanages.

Wherein a man can do such for himself and for humanity at the same time, what more can he ask in any vocation?

The Golden Age in Life Insurance is just dawning. Its benefits are becoming so generally recognized that more people are insuring than ever.

Men have to work at something. Is there any avenue of human endeavor which possesses so many opportunities and advantages and so few disadvantages as that of selling life insurance? Is there any reason why *you* should not resolve to make it your *life work* and so prepare and apply yourself that you may reap your full share of its extraordinary benefits?

The Ohio State Life Insurance Company offers a training course without charge to its field representatives.

### You Need Us and We Need You

Our Company has just been admitted to Oklahoma and will open other states as competent men join us to establish themselves in business.

**Write for particulars at once to  
JOHN M. SARVER, President**

**THE OHIO STATE LIFE  
INSURANCE CO.  
COLUMBUS, OHIO**

ter, and counsel for the companies should strive to make them understand it, they will be more constrained to construe such contracts as other contracts are construed.

#### Need Education as to Present Over-Taxation

7. Better education of the public in the matter of the present gross over-taxation of life insurance companies, showing how such unjust taxation, falling on the policyholders, as it necessarily must, reacts against the public welfare and imposes penalties on the most unselfish and noblest impulses of the human heart. The public should be made to know that any unnecessary and burdensome taxation and any unreasonable regulation or restriction placed on the activities of the life insurance companies hamper and retard them in the unparalleled service they are rendering the state and nation in saving every year untold thousands from pauperism, thereby relieving the state not only from the crushing burden of caring for these charges, but from the vast increase in crime that would inevitably follow such an increase in poverty and distress.

Let them know the truth, and the truth shall make them free.

#### Entertainment for Ladies

The Des Moines companies provided excellent entertainment for the ladies. A committee of Des Moines ladies acted as hostesses. The ladies were taken to the Wakonda Country Club Wednesday noon and spent the afternoon there. That evening a theater party was given. On Thursday afternoon the ladies were taken on an automobile trip.

#### Has \$1,000,000 Insurance

Walter W. Head, president of the Omaha National Bank and recently elected president of the American Bankers Association, drew a large attendance when he gave his address. Mr. Head is one of the most heavily insured men in the west. His life insurance amounts to \$1,000,000.

## Visitors Welcomed on Behalf Of Iowa Companies and State

**A** WELCOME to the American Life Convention on behalf of the Iowa companies was extended at the opening session by George Kuhns, president of the Bankers Life of Des Moines. He said:

"Iowa stands at the cross-roads of this United States. The covered wagon of the gold rush days; travelers on the old Mormon Trail; the first railroad builders; the adventurers who were always pushing into new lands—they have all found Iowa in their path and they have all been welcome here. They have been welcome again on their return—broken, sometimes, and homesick and disheartened.

"The travelers from north to south and from south to north have been welcome in Iowa. Iowa welcomed the French explorers and wood-runners who penetrated within her boundaries ahead of any other white men. John Brown was welcome and kept safe in Iowa when he was unwelcome and unsafe in bleeding Kansas. The runaway slaves of 75 years ago found refuge in Iowa on their way to Canada.

#### Especial Welcome to Insurance Representatives

"Iowa has welcomed all classes and conditions of men; has welcomed them in all circumstances; has been the stopping place for those who traveled back and forth from far ends of the nation. We have never before welcomed such a numerous body of such distinguished and useful citizens.

"You represent a large measure of leadership in the great institution of life insurance. Iowa is a great life insurance state and we of Iowa, therefore, are especially happy to welcome you because you represent an institution which stands high in this state, so high that the per capita of life insurance car-

ried in Iowa is nearly double that carried in any other state.

"As we appreciate life insurance, so we appreciate you life insurance men who are here to visit us, and we welcome you with all our hearts."

#### Kendrick Reviews Glories of Iowa

A further welcome on behalf of the state was extended by Insurance Commissioner W. R. C. Kendrick, who reviewed the glories of Iowa along various lines, concluding with a detailed statistical review of the growth of Iowa insurance companies, as shown by a comparison of statistics along various lines for 1912 and 1922. In commenting on the showing made by these figures he said:

"It will be observed that the legal reserve life insurance written in 1922 is 489 percent of that written in 1912; that the premium income of such companies shows a gain of 286 percent of that in 1912, and that the total income shows a gain of 297 percent; that the amount paid to policyholders in 1922 shows a gain over the similar item in 1912 of 206 percent, whereas the total disbursements show a gain of 269 percent; that the capital stock increased 366 percent and the surplus 220 percent.

"It will be further observed that the figures affecting assessment life associations are practically the same in both 1912 and 1922. That is a remarkable showing in view of the fact that ten years ago there were three such associations in Iowa, and now there is only one.

#### Great Showing Made by Iowa Companies

"The figures relating to fraternal beneficiary societies disclose an unusual situation. While fraternal lost heavily

in membership, due to rerating of most fraternal on an adequate basis, yet a remarkable gain is shown in their assets. During the ten-year period, the insurance in force in Iowa fraternal increased only 13 percent, whereas the insurance written increased 119 percent.

"An examination of the records in my department discloses a further interesting fact. Iowa life companies receive more in premiums from business outside of Iowa than all non-Iowa companies receive from business in this state. The balance in favor of Iowa companies at the end of the year 1922 amounted to \$13,040,356.34. I doubt that this record is excelled by any state west of the Mississippi river, and by few east thereof."

#### Dr. Cook's Home Office Slides Show Evolution

In connection with the valuable paper on home office construction by Dr. Henry Wireman Cook of the Northwestern National Life, he presented a number of interesting slides showing the evolution of buildings. These views showed the old style exteriors and interiors and the modern kind. He illustrated the romance of life insurance buildings by a picture of the first Travelers building and the present tower structure. Aside from the Travelers, pictures of the new Kansas City Life, Lincoln National Life, Northwestern National Life and Equitable Life of Iowa buildings were shown. Others illustrated were the Phoenix Mutual Life, Northwestern Mutual Life, National Life of Vermont and Maryland Casualty buildings.

#### Treasurer's Report

The receipts last year as shown in Treasurer Blackburn's report were \$76,660 and the disbursements \$45,086. The cash on hand is \$14,574 and notes \$17,000.

### A GROWING COMPANY Like Its States—A CHIEF AMONG EQUALS

# THE STATE LIFE INSURANCE CO. OF IOWA

expresses its appreciation of the honor the American Life Convention conferred upon its Home State "where the tall corn grows" by holding its annual session in Des Moines.

The State Life is proud of Iowa and Des Moines. Its citizens have been kind to this Company. This is best evidenced by the fact that in 1922 we were favored by ranking third on Iowa new business among the 23 good legal reserve companies who maintain their Home Offices here.

Then, too, we point with pride to our September (1923) production of applied for and examined business which aggregated

**\$2,286,372.00**

Despite Iowa's large per capita insurance we welcome more competition. There is room in Iowa for all the life companies of the United States.

The records and methods of the State Life were at the disposal of all executives attending the convention. If our achievements as disclosed by the following summary of our growth are of interest we will gladly lay them before you.

	Insurance in Force		
December 31, 1919	-	-	\$1,854,500
December 31, 1920	-	-	4,769,000
December 31, 1921	-	-	17,570,599
December 31, 1922	-	-	29,621,750
October 15, 1923, over	-	-	36,000,000

## State Life Insurance Company OF IOWA

Home Offices: Des Moines, Iowa  
Iowa Building, 6th and Grand Ave.

A. C. TUCKER, President

WILLIAM KOCH, Vice-President and Field Manager





## A Company with Friends Everywhere

The agent who is selling insurance in this company, which for seventy-two years has been rendering unexcelled service, does not work alone. Wherever he may be, he finds enthusiastic friends ready to help him by testifying that there is no better company in the land than the old Massachusetts Mutual. Its enviable record for service and the low net cost of the protection it furnishes make a combination that assures success to any real worker in the field.

# Massachusetts Mutual Life Insurance Company

of Springfield, Massachusetts

Incorporated  
in 1851

JOSEPH C. BEHAN  
Superintendent of Agencies

# Causes and Remedies for Lapsation

By **GORDON THOMSON**  
Vice-President, West Coast Life

THERE is probably no other question connected with our business which has received more extensive or continuous attention than that of "Lapsation." Several able papers have been read before various insurance societies, and the insurance press and company magazines can rarely be picked up without finding some reference to the subject.

Lapses may be compared to a germ disease which breaks out under normal circumstances only in spots where conditions are unhealthy and becomes epidemic when resistant influences are at their weakest.

To combat the evil we must be well informed as to the causes in our individual companies and then act to eliminate the unhealthy spots and also increase our efforts to strengthen the resistant influences. The causes are varied and are not necessarily the same in every company and those that are the same may operate with different potency in different cases.

A certain number of lapses like the poor, we shall always have with us, and this number we shall refer to as the

a number of cases prior to forwarding the lapse memorandum slips to the restoration department. Where active local agents are available, it is a good plan to send them a card two weeks prior to expiration of grace requesting them, if possible, to get in contact with the policyholder by personal call, and if lapse seems imminent to report the cause to the cashier. Here we see the tremendous advantage of having a well organized agency force with representatives everywhere trained and anxious to keep in touch with old policyholders, inducing renewal, giving information and advising as to adjustment of old policy if any misfit exists.

The home office restoration department should be required to systematically analyze the causes of lapse and by a series of expertly designed communications should succeed in restoring 15 percent to 18 percent of the total number referred to them. The subjoined interesting table shows the method and result of analysis by a home office restoration department for a small group of lapses obtained from collecting cashiers. It includes 241 lapsed policies for approximately half a million of insurance. It is inserted in this paper merely

vision will practically eliminate this type of lapse. Chronic, high-pressure and non-persistent writers should be reported to a central bureau in the same manner as impaired risks are reported. They are as injurious to the health and wealth of the business as poor risks. Happily they are few in number and those who still exist are getting fewer.

The large majority of these non-persistent policyholders show apparent indifference to life insurance. They probably need it most, but have lost the good intentions existent when the policy was applied for and the first payment made. They have not learned thoroughly the lesson of insurance protection and thrift. They are the people who start but do not finish. They have not acquired the habit of systematic premium paying. Some time after making the first payment and after the agent had done his good work they became infected with the lapse germ. They were recently converted but have strayed in their good intentions.

The problem is—what are the best methods of counteracting this apathy and inducing those policyholders to be persistent?

The new business of 1922 for all com-

agents through lapses to be approximately \$5,000,000 per annum.

If the lapse rate could be cut in half, \$7,500,000 more yearly would be paid to widows, children and other beneficiaries, and agents would be paid \$2,500,000 more in renewal commissions per annum. The companies would lose less money and be compensated fully by larger increases in business in force. From whatever viewpoint the question is considered a big effort to reduce lapses, and the misery too frequently caused by them, is well worth while. The interests of the insured, beneficiaries, agents and companies are identical.

The lapse problem, like any other business problem, can be solved only by searching analysis of the baneful causes and introduction of the best methods to eliminate or counteract these causes. Let us now consider causes and remedies.

1. Most lapses are caused by the weakening of the unselfish instinct which caused the policyholder to buy the insurance for protection of others, or the weakening of the impulse to save.

2. Depressed economic conditions or can't afford.

Gordon Thomson is vice-president and actuary of the West Coast Life of San Francisco. He has used his actuarial knowledge of the business and the experience of his company and that of others as a basis for the presentation of a strong case on lapsation. Reviewing the causes and remedies, as he sees them, of the lapse evil, the greatest source of waste in the life insurance business, Mr. Thomson makes some very constructive suggestions. He advocates a change in the system of remuneration of agents, so that renewals will be encouraged by greater effort on the part of the field men. He suggests a program of conservation work that will bring the company and agent together in an intensive effort to eliminate this costly phase of the business.

as an illustration of method rather than as a reliable statistical investigation.

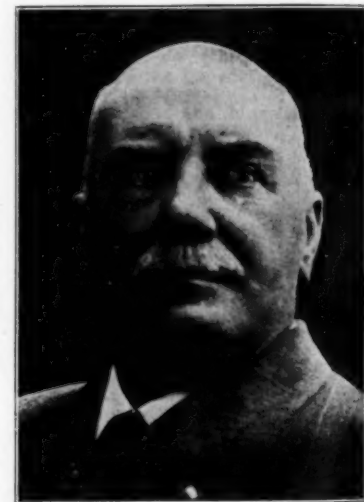
It will be observed 45 percent had exactly one year's premium paid and 24 percent less than a year's premium paid, or a total of 69 percent of the lapses had paid one premium or less. Another 7 percent had paid more than one but less than three premiums and 24 percent had paid three or more premiums.

Home office restoration department work, done mainly by correspondence, reinstated the following percentages: 49 percent of cases which lapsed with 3 or more premiums paid; 25 percent of cases which lapsed with over one and under 3 premiums paid; 15 percent of cases with one or less premiums paid.

Forty-two percent did not reply and 12 percent are listed "Can't locate" or a total of 54 percent are either indifferent or have changed address and lost contact. Here are the people who constitute the "Lapse Problem." It will be noted that practically all have paid only one annual premium or less. Some of these people may be dissatisfied through unsatisfactory selling methods being used by the agent. A lapsed policyholder of this kind is a center from which lapse germs radiate. Careful agency selection, training and super-

panies in the United States was estimated to be approximately \$9,800,000,000 and if a first year lapse rate of 15 percent on this business during 1923 is experienced, the lapsed business will be \$1,470,000,000. The normal deaths in one year on this volume will approximate in round figures \$7,000,000; seven million dollars is a reasonable estimate of the loss in the current 12 months to needy widows, children and other beneficiaries resulting from the discontinuance of death coverage after paying one premium or less. If lapses resulting at all durations are considered, it may be stated that the loss to beneficiaries for the current 12 months will approximate \$15,000,000. Thousands of widows and needy dependents will be left without a dollar, for the statistics show the insurance policy is all too frequently the only asset left. It is a sad picture. It is a problem worthy of our best efforts.

The companies lose money because the initial costs in most companies exceed the first premium. The policyholder loses because he forfeits his first payment in a valuable contract and the agent loses his renewal commission interest. I estimate the commuted value of future renewal commissions lost to



**S. A. FOSTER**  
Secretary Royal Union Mutual Life

3. High pressure selling methods; rebating; application not written according to underwriting rules necessitating change by home office on approval.

4. Loss of contact between agent or company and insured, particularly during the first two policy years.

5. Opportunity for contact present but lack of interest and effort on the part of some agents in inducing payment of second and third years' premiums as well as first.

6. Lack of systematic and effective effort on the part of the company to sustain the interest of the insured in his policy, particularly during the first three policy years.

7. Policyholder's contract does not satisfy or fit his condition.

8. Policy contracts held by insured not up to date, causing policyholder to become easily dissatisfied on comparison with other offers.

1. Systematic effort by company and agent particularly during first three years to foster the unselfish instinct of protection for dependents and the thrift impulse.

2. Those experiencing depressed economic conditions or the "can't afford" class need very special attention. If they are genuine members of this class, they might be offered 5 year term with convertible privilege within three years subject, of course, to re-examination. We frequently come across policyholders lapsed for over a year with little or



**GORDON THOMSON**, San Francisco  
Vice-President West Coast Life

normal lapse rate. We want to concentrate on the excess over the normal due to preventable causes and circumstances that can be controlled. The question of what is a normal lapse rate for a company immediately arises. The preponderant proportion of lapses occurs within a few years from the date of issue of the policies. The heaviest lapse rate is usually in the second policy year and the lapse rate subsequently tends to decrease with policy duration. A comparison of the percentage of the total lapses to mean insurance in force of one company with another or from year to year in the same company is misleading, as the company with the greatest volume of recent business will automatically and in the normal course of events be naturally expected to have the highest lapse rate to business in force.

## Record of Lapse Cause Is Valuable

If we had a standard based on the average of the American Life Convention companies, any company could compare its own rate with that average which would be valuable information. Such tables, however, whilst illuminating are valueless unless investigation is also made to determine the causes of our individual lapses. This information can be furnished on lapse memorandum slips by all branch and collecting cashiers to a home office restoration department. Collecting cashiers employing the usual well known methods will restore

## FINDINGS AND RESULTS OF RESTORATION DEPARTMENT

Group	(1) No.	(1) Amt.	(2) No.	(2) Amt.	(3) No.	(3) Amt.	(4) No.	(4) Amt.	Total No.	Total Amt.	Percentage based on Amounts
Impaired .....	2	3,500	4	10,500	4	10,500	4	10,500	4	10,500	2.11
Took other Ins. ....	2	1,500	1	3,000	1	3,000	4	7,500	7	14,000	2.82
Can't afford. ....	2	1,500	9	15,500	3	9,000	16	25,500	16	25,500	5.13
Miscellaneous ....	3	7,000	4	17,000	5	9,000	15	40,000	15	40,000	8.05
7 Year Term. ....	3	9,000	3	12,500			6	21,500	6	21,500	4.33
Cash Surrender. ....	5	17,500					5	17,500	5	17,500	6.24
Auto. Surrender. ....	11	13,500					11	13,500	11	13,500	
Can't locate. ....	1	1,000	1	2,000	20	37,000	9	19,000	31	59,000	11.88
No. Reply. ....	8	7,500	7	15,000	49	114,200	41	63,500	105	206,200	41.52
Restored. ....	25	58,000	6	9,000	3	9,000	7	13,000	41	89,000	17.92
Total. ....	60	118,500	19	35,000	93	221,700	69	121,000	241	496,700	100.00
Restorations Percentage of to its Group. ....		48.95		25.35		4.06		10.74			



# Western Life

## Insurance Company

OF DES MOINES, IOWA

Capital Stock, \$200,000.00

Incorporated under the laws of Iowa April 30, 1907. Every dollar of business on the books is Legal Reserve. Has never purchased business from other Companies and the entire amount in force was secured by Western Life Agents.

The same Officers and Board of Directors have served the Company continuously since 1913. Of the 11 members of the President's Club (\$100,000.00 Club) for 1923 on October 1st, all but one had been with the Western Life over 3 years.

On October 1st, 178 agencies had produced \$4,678,250.00 of new business since January 1, 1923. The total amount in force as of October 1st, is in excess of Seventeen Million Dollars. About Fifteen Million Dollars is in force in Iowa. ***A Conservative, Healthy Growth of a Progressive, Sound Institution.***



### Extracts from Semi-Annual Statement June 30, 1923:

Admitted Assets	-	\$1,481,685.62
Net Life Reserve		
Required by Law	-	\$1,105,061.22
Surplus to Policyholders	-	\$ 230,446.86

Of 94 Legal Reserve Companies operating in Iowa during 1922, the Western Life wrote more than 80 of the 94 Companies written in Iowa. At close of 1922 Western Life had in force in Iowa more than 76 of the Companies.

Several openings for local representatives in Iowa and South Dakota.

#### Address

**JAMES H. JAMISON, President**

Home Office: Des Moines, Iowa

#### BRANCH OFFICES:

Cedar Rapids    Iowa Falls    Waterloo    Sioux City

# International Life and Trust Company

**J. O. LAUGMAN**  
President

**DR. ANDREW JOHNSON**  
Secretary and Medical Director

- ❑ Operating in Illinois, Iowa and Minnesota.
- ❑ Policies kept right up to the minute.
- ❑ Compensation to agents as liberal as consistent with safety.
- ❑ Writing participating and non-participating Policies, with total disability and double indemnity clauses.
- ❑ Agency Service is one of our distinctive features.

**MOLINE**

**ILLINOIS**

# The Des Moines Life and Annuity Company

*"The Company of Co-operation"*

A. L. HART, President

PAUL N. MANTZ, Secretary

**Capital, One-Half Million Dollars**

Securities on deposit with the State of Iowa for the protection of policyholders **Over One Million Dollars**

**Note:** For each dollar of liabilities the Company has \$3.09 of assets. We will write insurance for the whole family.

Our Educational Endowment Policy for children is unique.

Our perfect protection and continuous monthly income policies are different.

Our Mortgage Coverage Bond is absolutely the latest and best thing in insurance.

Licensed in Iowa, Nebraska, South Dakota and Minnesota.

Have several splendid openings for District Agencies in Minnesota and South Dakota

Write **HOME OFFICE**

1204 Register Building

DES MOINES, IOWA

no value available who would be glad to reinstate their insurance but cannot afford the current premium plus the back premium and interest. Such policyholders readily fall in with the idea of dropping the old policy and taking out a new one at their present age. A better method which avoids reporting a lapse is to change the old policy to a new one at a higher age and shorter duration but using the value, if any, to the best advantage to set up the last terminal reserve and to pay with such cash as the policyholder can afford the current premium.

3. When it becomes known that any agent's methods will result in non-persistent business, those methods should be corrected immediately and the business written should receive special attention.

4. Efficient agency organization work by company to secure sufficient agents who will reside permanently in the territory. These agents should be supplied with particulars on cards of all policyholders residing in their neighborhood (if not with all, then with cards for policies on which less than three premiums paid) and educated to keep in touch with them. Such agents should report dissatisfied policyholders to a conservation department at the home office where necessary changes in policies can be suggested and carried out efficiently.

5. The question of the payment of a larger renewal commission on the second premium than on subsequent renewal premiums is worthy of thought because the agent under such a system has a more substantial interest in the renewal for the second policy year. The first premium is the hardest to collect, and the second premium is the next hardest, and perhaps the renewal compensation should be arranged so that the highest renewal payment is made for the greatest renewal service. I believe a system of renewal compensation which rewards for persistent business is also worthy of serious thought.

6. On receipt of the application at the home office some companies mail with good effect a copy of an institutional number of the company's magazine. This copy usually contains pictures and descriptions of the organization, solidity and service of the company. This is intended to draw the new applicant closer to the institution. When the policy is mailed an attractive pamphlet pointing out all the great benefits of life insurance may be enclosed with it.

7. The restoration department should be ready at all times to change (subject to underwriting rules) the kind of policy if the policyholder is dissatisfied with his existing contract. Full reserve value and every possible credit should be allowed for the old policy and applied to the new. Change of falling due date to more convenient date should receive attention by irregular premium method. Many companies now pay the medical fee for the first reinstatement only. When a case has an extended insurance period running to maturity date under an endowment, no evidence of insurability is necessary except for disability or other special benefits attached to the death risk. A number of companies waive evidence of insurability as far as the life risk is concerned when the extended insurance period runs for five years or over. I believe this is sound and safe when done with due consideration of all facts.

8. I believe new features adopted in policy contracts, such as new disability clauses, double indemnity, should be offered as a matter of service to all old policyholders subject, of course, to evidence of insurability and adjustment of premium where underwriting rules require it. Benefits which are improvements in modern practice and require no extra premium or evidence of insurability, such as installment methods of settlement, should be made retroactive and all old policyholders fully advised. Old customers cannot fail to appreciate service and consideration of this kind, and this practice will save many needless surrenders for newer and more liberal contracts in other companies.



# Create Confidence First

Just a short while ago a prominent life insurance man made the statement that 50% of his new business comes from old policyholders. Isn't it worthwhile then to cultivate the old policyholders? They are entitled to any service you can extend to them for upon them depends a large amount of your success.

It is a fact that unless you give your policyholder exemplary service and the assurance of dependable protection on his initial life insurance purchase he will not be inclined to favor you with his additional business.

Building a life insurance business from the ground up calls for careful and conscientious treatment of every policyholder. The agent must merit the confidence of his clients.

In recognition of these factors the Amicable Life has carefully constructed its working principles so that each agent is assured of a thoroughly dependable form of service that creates policyholders' confidence.

**AMICABLE LIFE INSURANCE COMPANY**  
WACO, TEX.

## Report of Valuation Committee Gives History of the Movement

**P**RESIDENT J. B. REYNOLDS of the Kansas City Life, chairman of the special valuation committee, submitted its report. He said:

Some months prior to the Omaha meeting of the American Life Convention in September, 1919, the subject of valuation was emphasized by the action of the Massachusetts legislature in rejecting a bill recognizing the Illinois standard, and the enactment of a full reserve valuation law by Maryland. Later a retaliatory bill was introduced in the Illinois legislature and developed unexpected strength among the members of the general assembly. Hence the issue was acute and pressing at the time of the Omaha meeting.

At the Omaha meeting, E. E. Rhodes, vice-president of the Mutual Benefit Life, in an address suggested that the American Life Convention appoint a committee to confer with a like committee named by the eastern companies upon the question of valuation by the preliminary term method. The suggestion of Mr. Rhodes met with unanimous approval, and at the meeting of the executive committee of the American Life Convention, President H. W. Johnson appointed such committee, to be known as the "Special Valuation Committee." A similar committee was appointed by the eastern companies. The two committees met in conference in Chicago a few weeks after their appointment and succeeded in agreeing upon a plan of valuation to be covered by enactments in Maryland, Massachusetts, New Jersey and New York.

### Question Was Regarded as Being Most Important

The question for consideration involved the very fundamental, organic law of the American Life Convention, and was regarded by the committee as

being of paramount importance to a great majority of its members.

At the first annual meeting of the American Life Convention at Chattanooga, in October, 1906, your chairman's address, as president, contains the following paragraph:

"The question of valuations has for a number of years, and rightly so, been a subject for legislation, as it fixes a standard of solvency, prevents waste of funds and insures perpetuity. There are several methods in vogue by different companies and different states, but in the end all obtain practically the same results. As one, I believe that new business written each year should pay the cost of procuring the same, and be no direct or indirect charge upon the old business either for cost or reserve, and, therefore, favor the preliminary term method of valuation in theory and practice and submit that it is safe, sound and scientific, and, where the contract so provides, believe that it is perfectly legal."

The special committee appointed by the president at Chattanooga to draft a platform of fundamental principles representing the Convention sentiments, reported the following among other declarations:

"Valuations: We believe the new business written each year should pay the cost of procuring the same, and be no direct or indirect charge on the old business for either the cost of procuring it or for the reserve thereon. We, therefore, favor the first year term method of valuation both in theory and practice, and submit that it is safe, sound and scientific."

These principles have been referred to and reiterated as the fundamental doctrine of the American Life Convention at practically every annual meeting, and it is a source of great satisfaction

for your committee to report at this time that every state in the Union now recognizes the system of valuation for which the American Life Convention has so firmly stood. The following summarizes the activities and efforts of the committee:

The legislature of Maryland was first to act. It repealed the full reserve law enacted at a previous session and adopted the Illinois standard. The Association of Life Insurance Presidents and the Convention companies doing business in Maryland, cooperating with our committee, brought this bill through safely.

The legislature of New Jersey was the second of the four states to open the door to preliminary term companies. The efforts of the two New Jersey members of the eastern committee, E. E. Rhodes and Alfred Hurrell, should be given credit for the result in New Jersey, especially as the bill was promptly introduced at the first session of the legislature following the Chicago conference.

### Report Made on the Work Done in New York State

In New York, E. E. Rittenhouse, Robert Lynn Cox and James McIntosh were the members of the committee. The death of Mr. Rittenhouse a short time after the conference removed an earnest, efficient advocate and some delay was occasioned before Henry Moir was selected to succeed him on the committee. The three members of the committee submitted to the insurance commissioners a bill providing for the Illinois standard in New York. Notwithstanding the earnest advocacy of the committeemen, aided by Actuaries Hutcheson, Henderson, Craig, Hunter and others, the commissioners declined to recommend the bill for passage and this legislature and a succeeding one went into history without the enactment of the law. Mr. McIntosh, having resigned the office of general counsel of the New York Life, A. E. Tuck took his place on the committee. Meanwhile, Francis R. Stoddard, Jr., became com-

missioner and these three gentlemen, Messrs. Cox, Moir and Tuck, secured his approval and the legislature promptly adopted the Illinois standard as an authorized method of valuation.

Daniel F. Appel and Walton L. Crocker were the Massachusetts members of the eastern committee. They were faced with an extremely delicate and difficult situation. Twice the legislature postponed the bill proposed on their petition, and, though Commissioner Hobbs and a special commissioner gave it approval, it was finally defeated. After New York passed the preliminary term bill, Commissioner Hobbs revised and overruled a ruling made many years ago by the late Commissioner Cutting and which had been rigidly adhered to by his successors in office. He courageously announced that the preliminary term method of valuation was safe and sound, and that companies using that method of valuation would be admitted to Massachusetts.

Connecticut, represented on the eastern committee by E. T. Morris and Archibald A. Welch, had no tradition or law to prohibit this method of valuation and Commissioner Mansfield ruled favorably.

It is, therefore, the opinion of your committee that this is one of the outstanding achievements of the American Life Convention, which could only be accomplished by the complete systematic and effective support and cooperation of every individual company which we have had throughout all these years.

The controversy is ended. The occasion of friction, as heretofore, is removed for all time.

C. H. Beckett of the State Life reported for the committee on substandard risks. It has sent out a questionnaire to get information from the companies on their methods of dealing with this class of business.

The American Life Convention held an executive session Wednesday afternoon to hear the report of Dr. E. G. Simmons, president of the American Service Bureau.

# FREE LIFE INSURANCE

for 20 years

## \$1 RETURNED FOR EACH 80c.

deposited with the Company thruout this period.

This is one of the little presentation suggestions issued by the Service Department of

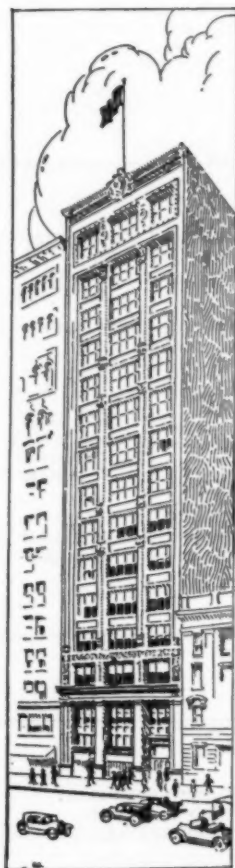
# The FEDERAL UNION LIFE

CINCINNATI, OHIO

*A few desirable openings in OHIO, KENTUCKY, ILLINOIS,  
INDIANA, PENNSYLVANIA and WEST VIRGINIA*



# A Wider Field

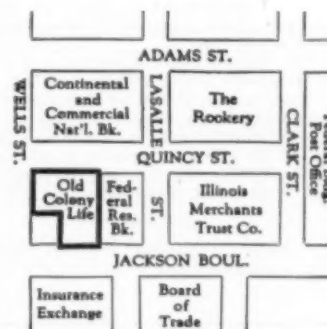


The Old Colony Life home office building is ideally situated in the heart of the financial and insurance district of Chicago. It is but a stone's throw from the New Illinois Merchants Bank Building; next door to the new Federal Reserve Bank Building and just across the street from the Insurance Exchange. Such a location is of distinct advantage. It is easily accessible. It has a prominent position.

The fact that our agents have a wider field and an increased opportunity augurs well for their future. They have plenty of chances of permanently increasing their incomes for we have:

Age Limits from 2 to 60. Policies for substantial amounts (up to \$3,000) for Children on variety of Life and Endowment plans, thus enabling parents to buy all of the Family's insurance on the Ordinary, i.e. Annual, Semi-annual or Quarterly Premium plan. Participating and Non-Participating Policies. Same rates for Males and Females. Double Indemnity and Total and Permanent Disability features for Males and Females alike. Standard and Sub-standard Risk Contracts, i.e. less work for nothing.

These are advantages that give the life insurance man free rein to write a maximum amount of business.



**"THE OLD COLONY LIFE  
INSURANCE COMPANY  
of CHICAGO, ILL."**

# BANKERS LIFE INSURANCE COMPANY OF NEBRASKA

Home Office: Lincoln, Nebraska  
**Assets - - - \$22,900,000.00**

ELK POINT, SO. DAK., Aug. 24, 1923.

*Bankers Life Insurance Co.,  
Lincoln, Nebraska.*

GENTLEMEN: 15 years ago you issued me policy No. 30038 on which I paid an annual premium of \$68.40, making total premiums of \$1,026.00. This was a \$2,000 policy at age 28 years and I chose the first option of settlement and your Mr. Martin delivered me your check today, the settlement being \$1,220.04, returning all my money and \$194.04 added, besides I have had 15 years protection for my family. I am well pleased with the result on this policy and have taken out \$2,000 additional insurance with your company. Thanking you for the prompt settlement of this policy.

Very truly,

NORMAN ANDERSON.

## FIFTEEN PAYMENT LIFE POLICY DEFERRED DIVIDEND FIFTEEN YEAR SETTLEMENT

Matured in the  
OLD LINE BANKERS LIFE INSURANCE COMPANY  
of Lincoln, Nebr.

Name of Insured.....Norman Anderson  
Residence.....Elk Point, S. D.  
Amount of policy.....\$2,000.00  
Total premiums paid.....1,026.00

### SETTLEMENT

Total cash paid to Mr. Anderson..\$1,220.04  
And fifteen years' insurance for nothing

CHESTER, NEBR., September 25, 1923.

*Bankers Life Insurance Co.,  
Lincoln, Nebraska.*

GENTLEMEN: I have just received from your representative, Mr. R. C. Harriss, your check for \$309.39, being the surplus due me on my policy No. 14571, for which I thank you.

In checking this over I find I have something that hardly looks reasonable. Twenty years ago I took one of your ten pay, twenty year settlement policies having an annual premium of \$40.80. I therefore paid you \$408.00. By deducting the above surplus of \$309.39 I now have a paid up participating policy for \$1,000.00 at a net cost of \$98.61. Mr. Harriss tells me I will in addition receive a small annual dividend.

If I live the normal number of years it looks like you will have actually paid me money for the privilege of insuring my life.

It would be unreasonable if I were not sold on your company.

Very truly yours,

ELBERT L. BROWN.

## TEN PAYMENT LIFE POLICY DEFERRED DIVIDEND TWENTY YEAR SETTLEMENT

Matured in the  
OLD LINE BANKERS LIFE INSURANCE COMPANY  
of Lincoln, Nebr.

Name of insured.....Elbert L. Brown  
Residence.....Chester, Nebr  
Amount of policy.....\$1,000.00  
Total premiums paid.....408.00

### SETTLEMENT

Total cash paid Mr. Brown.....\$309.39  
and a paid up participating policy for  
\$1,000.00

## Participating and Non-Participating Policies

### Same Rates for Males and Females

## Double Indemnity and Total and Permanent Disability features

If interested in an agency or policy contract write Home Office, Lincoln, Nebraska



# BANKERS LIFE INSURANCE COMPANY OF NEBRASKA

Home Office: Lincoln, Nebraska

Assets - - - \$22,900,000.00

FREEMAN, Mo., September 25, 1923.

Bankers Life Insurance Co.,  
Lincoln, Nebraska.

GENTLEMEN: I am pleased to acknowledge receipt of your check for \$1,564.90, being the surplus accumulations on my policy No. 14176. My policy for \$5,000 being now fully paid up on which I will receive annual cash dividends and at my death will be paid to my estate or to whom I may direct.

I am well satisfied with this settlement. This settlement was made through your agent, Mr. A. R. Cannon.

I shall be glad to recommend your good company to all my friends.

Very truly yours,

JOHN W. COLBURN, JR.

## TWENTY PAYMENT LIFE POLICY DEFERRED DIVIDEND TWENTY YEAR SETTLEMENT

Matured in the  
OLD LINE BANKERS LIFE INSUR-  
ANCE COMPANY  
of Lincoln, Nebr.

Name of insured.....John W. Colburn, Jr.  
Residence .....Freeman, Mo.  
Amount of policy.....\$5,000.00  
Total premiums paid.....2,945.90

### SETTLEMENT

Total cash paid Mr. Colburn.....\$1,564.90  
and a paid up participating policy  
for \$5,000.00

RUSKIN, NEBR., September 24, 1923.

Bankers Life Insurance Co.,  
Lincoln, Nebraska.

GENTLEMEN: I wish to acknowledge receipt of your draft for \$774.45 handed to me today as full cash settlement of an ordinary life policy, that I have carried in the Bankers Life Insurance Company for twenty years.

This gives me more money back than I paid in and I have had protection all these years at a very low rate. I am 63 years old now and my only regret is that I did not buy more Bankers Life when I was younger.

Wishing the company and its agents continued success, I wish to thank you for this settlement and will do all I can to persuade my friends and neighbors to take a policy in your company.

Very truly yours,

WILLIAM DILLON.

## ORDINARY LIFE POLICY DEFERRED DIVIDEND TWENTY YEAR DISTRIBUTION

Matured in the  
OLD LINE BANKERS LIFE INSUR-  
ANCE COMPANY  
of Lincoln, Nebr.

Name of insured.....William Dillon  
Residence .....Ruskin, Nebr.  
Amount of policy.....\$1,000.00  
Total premiums paid.....718.90

### SETTLEMENT

Total cash paid Mr. Dillon.....\$774.45  
and twenty years' insurance for nothing

Participating and Non-Participating Policies

Same Rates for Males and Females

Double Indemnity and Total and Permanent Disability features

If interested in an agency or policy contract write Home Office, Lincoln, Nebraska

# Premium Notes—Promise or Threat?

By T. J. McCOMB

EACH of us have prepared policy forms and in all solemnity have written the consideration clause as follows:

"This policy is issued in consideration of the payment in advance of the annual premium of \$....., etc., or words to that effect, yet in the majority of cases the policy is delivered by the agent in consideration of the premium note of the insured; such note is usually made payable to the agent, it is true, and he remits the cash to the company or is supposed to. Nor does the taking of premium notes end here, the company frequently taking notes in settlement or extension of subsequent premiums. The aggregate amount of premiums thus settled by notes, in the course of a year runs into big figures. Therefore, the business of life insurance in this country is not on a strictly cash basis, and so it is we have with us the ever troublesome premium note.

## Brings Up Numerous Troublesome Questions

Troublesome, indeed, are the questions that arise in connection therewith, such as:

1. The right to accept notes in settlement of life insurance premiums.
2. Whether the taking of a non-interest bearing note violates the anti-discrimination statutes.
3. Note as equivalent to or in lieu of cash.
4. Whether note is absolute payment or extension only.
5. Conditions as to forfeiture of policy for non-payment of note at maturity.
  - (a) When the condition is in both the policy and the note.
  - (b) When the condition is in the policy only.
  - (c) When the condition is in the note alone.
  - (d) When the condition is in the receipt given for the note.
6. Grace in payment of premium notes.
7. Necessity for affirmative action declaring forfeiture for failure to pay note at maturity.
8. Demand for payment of premium note after its maturity.
9. Waiver and estoppel, and many other questions too numerous to mention.

## Rules of Construction Announced by Courts

Now, let us not forget some of the general rules of construction of life insurance contracts announced by the courts of this country, as follows:

If a contract is susceptible of two constructions, one which will work a forfeiture and the other will not, that construction should be adopted which will prevent a forfeiture and preserve the rights of the parties. The courts, not favoring forfeitures, are usually inclined to take hold of any circumstances which indicate an election to waive a forfeiture. They will never seek for a construction of a forfeiture clause in a policy which will sustain it if one which will defeat it is reasonably deducible from the terms or words used to express it. When a waiver prevents a forfeiture the law ordinarily permits a liberal construction to be placed on the acts of the party waiving, with the view of bringing about a waiver of such forfeiture.

## Wide Powers Given to Insurance Departments

It seems that the courts have been called upon to pass upon the validity of most every form of life insurance policy. But passing those years when there was very little, if any, law specifically directed toward the business of life insurance, we come to the time when it is recognized to be of great public import and importance. Legis-

lators have taken notice of this fact and passed laws regulating and controlling the business of insurance in detail. Insurance departments have been established in the various states with supervising officials in charge who are clothed with wide range of authority, and whose duty it is to inquire into not only the financial condition of companies, but to examine and investigate the policy contracts offered and the treatment of policyholders generally. There is hardly a department of state clothed with such power as the insurance department.

## Commissioner Must Approve All Policies

Life insurance policies must first be submitted to the insurance commissioner for his approval, and if he disapproves a form it is unlawful for the company to issue a policy in the form so disapproved. He examines not only the premium charge, the values or money benefits offered, but blue pencils here and there the contract provisions, saying, this provision must be changed to read thus and so, and that provision must be eliminated entirely; this accommodation may be extended to the policyholder, but that can not, pointing out with all minuteness what the policy may and may not contain.

After the policy form has received

note when due, the policy will become null and void.

And in *Schneidling v. Northern Assurance Co.* (Mich. 11), 136 N. W. 361, the court, in discussing a similar case, said:

"By his (the relator) own showing by an agreement with it he was granted by respondent, not only the contract period of grace, but many months beyond that period. We are of the opinion that he is not in position to complain that he did not have all the grace which is contemplated either by the statute or by the contract of insurance. We do not think he was entitled to two periods of grace. We do not think there is anything in the statute or contract of insurance that prohibits the respondent from giving the extended grace that was granted to relator in the manner it was in this case, so long as the policy was kept in full force for its full amount during the grace period. Certainly the relator is not in position to complain of it. To hold otherwise would be to punish the respondent for its apparent attempt at fairness in extending the grace."

## Demand for Payment of Overdue Premium Note

In *Cooley's Briefs on Insurance*, Vol. 7 Supp., page 1050, it is said.

T. J. McComb, general counsel of the Atlas Life, has had a wide and varied experience in the insurance field. He is a former insurance commissioner of Oklahoma, having been the first incumbent of that office after Oklahoma was admitted to statehood. Prior to that time he had had many years of insurance experience, particularly in legal and actuarial work. Since retiring from the commissionership he has maintained an office as consulting actuary and counselor at Oklahoma City.

the "pure food label" of the commissioner, it seems to me the courts are going too far when they say of such a policy that:

"It swarms with intricate technical provisions, stipulations, exceptions, conditions, provisos, limitations, hedging liability about and looking to its avoidance."

## Right to Accept Notes for Insurance Premiums

Let us consider first the right to accept notes for life insurance premiums. It seems well settled that where a note is given by the insured for a premium and accepted by the insurer as payment, it is equivalent to a cash payment and no forfeiture results from non-payment of the note at maturity, in the absence of an express stipulation therefor entered into at the time such note was given.

But whether a note constitutes payment or extension only is frequently a very troublesome question involving many different facts and circumstances, and in solving this question we must look not only to the note, but the policy, receipt and acts of the insurer in reference thereto, at and subsequent to the maturity of the note.

## Grace in Payment of Premium Notes

In *Kansas City L. Ins. Co. v. Leedy* (Okla.), 162 Pac. 760, 1917-C L. R. A. 917, the provision in an insurance policy granting to the insured a grace of 30 days within which to pay all premiums except the first, and stipulating that said insurance shall remain in force during said time was held not to allow 30 days of grace after the maturity of a note executed by the insured to the company for a premium due on the date thereof, where the policy provided that upon a failure to pay such premium

"An unconditional demand for payment or an attempt to enforce collection of a past due premium note operates as a waiver of a forfeiture based on default in payment."

In *Union Central Life Ins. Co. v. Spinks*, 26 Ky. Law Reports 1205, 83 S. W. 615, 69 L. R. A. 264, the court said:

"It is a well settled law of this state that, if the insurer desires to avail itself of conditions in its policy to declare it forfeited for the non-payment of a premium note, it must unequivocally elect to so treat it, and in fact then and thereafter so treat it. It will not be allowed, though, to claim both that it is not bound by the policy, but that the insured is bound to pay the note. Its action must be consistent. While it may retain the note, as evidence of its non-payment, it must not retain it or treat it as an evidence of that much indebtedness."

## Some Hold Demand Doesn't Waive Forfeiture

While the numerical weight of authority would seem to support the decision in the above case, yet in *National Life Association v. Brown*, 103 Ga. 383, 29 S. E. 927, the court said that an unsuccessful effort to collect a premium note, the non-payment of which was to forfeit the policy, would "certainly" not amount to a waiver of the forfeiture which had already taken place by failure to pay such note when due, and in *Sullivan v. Conn. Indemnity Ass'n*, 101 Ga. 809, 29 S. E. 41, the court was emphatic in denying that merely demanding the payment of an overdue premium note amounted to a waiver by the insurer of the forfeiture caused by its non-payment, saying that such a holding "would be going contrary to the plainest principles of right and justice"—especially where payment was refused

by the assured. And in *New Zealand Ins. Co. v. Mazz*, 13 Colo. App. 490, 59 Pac. 213, it was held that the fact that the insurer had brought suit on the note given for the premium, and had recovered judgment and had levied an execution upon the insured's real estate, was not such payment or satisfaction of the note as would revive the policy already forfeited for failure to pay it.

## Had Neither Legal Nor Moral Right

And in *Iles v. Mut. Reserve L. Ins. Co.*, 50 Wash. 49, 96 Pac. 522, 18 L. R. A. (NS) 902, the court said:

"If the insured contented himself with the belief that the mere demand for payment, after maturity, without any action upon his part, revived his policy which had been forfeited by his own neglect, then he must have also rested secure in the belief that, no matter for how long a time he continued to refuse payment, his insurance would nevertheless be indefinitely prolonged. He had neither legal nor moral right to allow himself to be lulled into any such belief, and, inasmuch as he in no way acted upon the demand for payment, his position was in law in no way changed thereby."

And we might add as said by Justice Burnett in *Cranston v. West Coast L. Ins. Co.*, 142 Pac. 762, that:

"It is wrong to take something for nothing, even from a life insurance company."

## Weight of Authority Is That Policy Ceases

Unless there is some particular circumstance affecting the case, to warrant a departure therefrom, or unless a statute provides otherwise, the rule evidenced by the undoubted weight of authority is that the policy ceases, upon default in payment of the note, when such forfeiture is clearly and distinctly stipulated for, and that no demand or notice or declaration of forfeiture is necessary. But Sec. 1741 of the code of Iowa provides:

"All insurance companies or associations shall, upon the issue or renewal of any policy, attach to such policy, or indorse thereon, a true copy of any application or representation of the assured which, by the terms of such policy, are made a part thereof, or of the contract of insurance, or referred to therein, or which may in any manner affect the validity of such policy. The omission so to do shall not render the policy invalid, but if any company or association neglects to comply with the requirements of this section it shall forever be precluded from pleading, alleging or proving any such application or representations, or any part thereof, or falsity thereof, or any parts thereof, in any action upon such policy, and the plaintiff in any such action shall not be required in order to recover against such company or association, either to plead or prove such application or representation, but may do so at his option."

## How Courts Construed Provision of Iowa Code

Under this section of the code it was held in *Summers v. Des Moines L. Co.*, 116 Ia. 593, 88 N. W. 326, that an insurance company which fails to attach or indorse on a policy a copy of a premium note given therefor will be precluded from setting up non-payment of the note in defense, though the policy provides that it will be void if the premium is not paid when due.

In *Wilson v. Royal Union Mut. Life Ins. Co.*, 137 Iowa 184, 114 N. W. 1051, a wife took out a policy on her life for the benefit of her husband. The policy contained no clause to forfeit for non-payment of premiums. More than five years after the policy was



# Perfect Protection Opportunities

**S**TRONG men seldom appreciate the need of life insurance until it is properly brought to their attention. A wave of the hand and great wheels begin to turn for them. A finger on a button and men spring to do their bidding. In factory or office, in industry or finance men scorn the need of protection. The lesson of life insurance must be driven home to them. Never is it sought over the counter, but always it must be sold. And because it takes big strong men to meet other big strong men, life insurance presents big opportunities.

Not so many years ago the life insurance business was considered a place for the derelicts of other businesses: men fit for nothing else could eke out a living peddling policies to their friends. But today the business of life insurance looks for successful men of affairs. The life insurance agent of this day and age must be a man of vision. He must be a fighter. He needs brains. He must have resource, wisdom and wit. He must be tactful and well-mannered. And surely he must be a well-dressed and polished man of the world. In fact he must have every qualification necessary to a big business executive. To such men the business of selling life insurance does indeed offer wonderful opportunities. For such men there is no business offering greater independence and larger income than life insurance.

To such men the Perfect Protection offered by the Reliance Life Insurance Company of Pittsburgh, Pa., only adds to the possibilities which already stretch before them. Perfect Protection to them means easier sales and better satisfied clients. It means a larger field of prospects, it means less objections to be overcome. All this because the Perfect Protection Policy has been developed with the greatest care to give its holders protection at every possible point. Perfect Protection policies give to their owners the peace of mind that comes from the absolute knowledge that every contingency is provided for.

These advantages are for every man to seek. A word to the company will bring you complete information. If the business of life insurance offers great opportunities, and it does, add to those opportunities a connection with the Reliance Life.

**The RELIANCE LIFE INSURANCE COMPANY**  
**of PITTSBURGH, PENNA.**

# Strong as the Strongest

The North American National Life issues total and partial disability, and also double indemnity.

The protection and services that have been given to North American policyholders and agents everywhere are characteristic of the company's desire to foster public confidence in the North American agent.

The company is growing steadily with an eye to solidity and stability. Every agency problem, whether it be large or small, receives thorough investigation and thoughtful consideration. The North American National Life now operates in Oklahoma, Iowa, Missouri, Kansas, Wyoming, Arkansas, North Dakota and Nebraska.

## North American National Life Insurance Company

*Strong as the Strongest*

OMAHA, NEBRASKA

F. J. UEHLING, Pres.

issued the insured and beneficiary obtained a loan from the company on the policy on a note containing such a forfeiture clause. It was held that the company was not precluded from relying on the forfeiture clause in the note in an action by the husband on the policy, though the note was not attached to or endorsed on the policy.

### Rule of Construction Should Be Modified

In conclusion I would say:

1. That extension agreements similar to that reported in *White v. New York Life Ins. Co.*, 205 Mass. 510, 86 N. E. 928, are much to be preferred over premium notes.
2. That premium notes should be used only when the reserve value of the policy at least equals the amount of the note, so they may be treated as policy loans.
3. That if premium notes be taken

when the reserve value of the policy is less than the amount of such notes, both policy and notes should contain a clause stipulating for forfeiture if the notes be not paid at maturity.

In view of the fact that the policy form, note, receipt and all papers that go to make up the completed contract of insurance are first approved by the insurance commissioner, such contracts should no longer be viewed as unilateral contracts and the rules of construction now employed should, therefore, be modified. If not modified, then we may say that, a premium note given and accepted as a promise may develop into a threat, and indeed, if treated with the least respect after maturity, it will fix liability on the insurer, although it be dishonored and unredeemed, close its eyes, feign death and lie in wait for its maker to die, so that it may proceed to court and charge the insurer with "waiver."

## Annual Report of the Secretary

By T. W. BLACKBURN

FIVE new companies have been admitted since the Milwaukee meeting: Business Men's Assurance of Kansas City; Midwest Life, Lincoln, Neb.; State Life of Des Moines; United Fidelity Life of Dallas, Tex., and International Life & Trust of Moline, Ill. Three companies retired from membership, the Indiana National Life, Iowa Life, of Waterloo, Ia., and Marquette Life of Springfield, Ill. All were re-insured by members of the convention. We now have a membership of 147 companies with a total of life insurance in force Dec. 31, 1922, of \$12,202,679,464.

### Legislative Sessions Meant Much Activity

The year has been one of unusual activity in the secretary's office due chiefly to the fact that 44 regular sessions of the legislature and five special sessions have been held, and some 2,895 bills affecting life insurance were offered upon the legislative altar. It is comforting to remark that only about 80 bills escaped the sacrificial flames and few of these were unsatisfactory.

It may be interesting for members to know that the secretary's office examined since Jan. 1 of this year 2,895 legislative proposals submitted to the several legislatures and Congress. Information as to the salient features of all these proposed measures was promptly forwarded to our companies in the 54 bulletins issued. These bulletins covered not only legislative proceedings but departmental rulings as well.

Ralph H. Kastner, a young lawyer, was engaged soon after the last annual meeting to handle the legislative bureau.

### Law Digest Contains Card Index Briefs

The Law Digest, which was supplied to the companies first in 1921, contains in card indexes briefs of all laws in force in the several states. At the time they were first sent out there were some 4,300 cards including cross reference and calendar cards. Since the original sets were supplied to the companies a large number of substitute cards have been issued to take the place of the originals. Since Jan. 1 Mr. Kastner has corrected and printed 1922 cards and has 350 additional cards now in the printer's hands.

The secretary regards this branch of the service as highly important and uses his best efforts to keep it up to date.

The secretary receives many compliments from counsel of our companies and counsel of non-member companies for the Legal Bulletin which is prepared and issued by Wm. Ross King. In the 18 months covering volumes 7, 8 and 9 of the Bulletin, 175 life cases, 120 fraternal cases and 75 accident cases were digested. Of these, the judgments for the beneficiary were affirmed in 60 cases and for the company 25 were reversed. Judgments for the benefi-

ary were reversed in 65 cases and of the 80 cases decided where legal reserve life companies were involved, more than one-half were decided for the companies. Assuming that the amounts involved in these 80 cases averaged \$5,000 per policy, the total sum involved is only \$400,000 and this is scarcely one-tenth of 1 percent of the amount paid to policy holders in a single year.

### A. C. Savage Is Now in the Employ of the Convention

From Apr. 20 until date the Convention has had the service of A. C. Savage, whose compensation and expenses in full appear in the statement, one-half of which has been charged to the American Service Bureau and will be repaid by that organization. Mr. Savage has visited something like 70 companies to the advantage of the companies and the Convention.

The printing bill for the year is \$7,326.25 and represents two editions of the manual, proceedings of the annual meetings of the Convention, the Legal Section, and the Medical Section, the statistical statement, programs of the meetings, monthly legal bulletins, the agency cards, law digest cards, the several leaflets printed over the name of the secretary and incidental items.

Perhaps it is proper for me to say that the leaflets have been mailed from the secretary's office to the life insurance executives generally throughout the country, to our own folks, to insurance journals, insurance departments and a selected general list. The articles have been widely published in the press and reprinted by companies.



GERARD S. NOLLEN, Des Moines Vice-President Bankers Life of Iowa



*A Company Rendering Service to Agents Through a Constantly Widening Field of Life Coverage*

*Reasons why you should connect with*

# The Central Life Insurance Company of Illinois

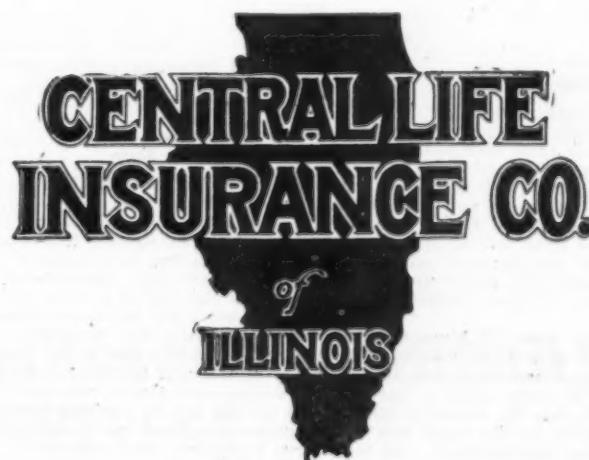
## OTTAWA, ILLINOIS

- 1** The Company handled for its agents, 95% of all applications received during the year 1922.
- 2** All occupational hazards are handled on an extra annual premium basis, which is removable when insured discontinues hazardous occupation.
- 3** Minors are written on standard policies down to ten years of age on rates adapted to actual age of insured.
- 4** Up to date conservative policy forms with standard forms of Total Disability and Double Indemnity Clauses.
- 5** A liberal policy with agents of the right sort, who contemplate a permanent connection. We are not a "high commission" company, but one which pays well for good, standard business—the 50-50 sort, that meets you half way.

The Company has over \$41,000,000 of business all having come over its own "counter." Assets in excess of \$5,000,000. A new sixteen story office building is being erected on North Michigan Ave., Chicago, which will be occupied as the new home of the Company early in 1924.

The Company operates in Illinois, Iowa, Missouri, Minnesota, South Dakota, Nebraska, Kansas, Texas and Michigan.

*If not permanently connected or satisfied, write for particulars as to Agency openings in states mentioned.*



# Life Agents Under Compensation Acts

By **BURTON P. SEARS**

Counsel, National Life, U. S. A.

**A**RE life insurance companies' employers within the meaning of our compensation acts, and are their home office employees and their general and subordinate agents, employees within the meaning of these acts? In those states where insurance companies have that privilege, should they accept or reject the provisions of the compensation acts?

In view of the primary purpose and scope of the compensation acts, one's first impression would be that life insurance companies and their agents and employees would not come under the acts, for they are certainly not engaged in industrial enterprises or subjected to any particular hazards of industry. I was surprised to find from recent inquiries made among the 140 members of this association that many companies have completely ignored the entire matter and have made no particular study of the compensation acts of the several states in which they are operating, to determine whether they are or are not subject to the acts.

## Home Office Employees Are Included in Acts

I think it would be safe to make the general statement that under the terms of most of the acts, life insurance companies are employers and their home office employees are employees as defined by the acts, but whether their general and subordinate agents are likewise employees within the meaning of the acts, is a more difficult question.

In the first place, we find two different types of acts in this country, elective and compulsory; 12 states have compulsory acts and the other 30 states have elective acts, so far as private employment is concerned. In a majority of the states acceptance of the act is presumed and all employments are subject to the act unless they are especially exempted, but no compensation law covers all employments. Practically all the states exempt certain classes of employees from the operations of their acts, including among others, domestic, agricultural, and casual employments, and independent contractors and employers having less than a stipulated number of employees. Where insurance companies are beyond doubt subject to an act, if their agents are to be exempted therefrom it will be generally because of the fact that they are not employees, but are independent contractors. This question of fact, of course, involves the terms and character of their employment, method of compensation, and the power and extent of their employer to control the manner of their work.

## Street Accidents Most Common

The most common type of accidents which are likely to occur to the ordinary agent are those commonly classified as "street accidents," such as slipping on the street, or sustaining an injury while riding in an automobile or public conveyance. As to whether such accidents arise out of and in the course of the employment so as to render the employer liable under the acts, there is a decided conflict of authority.

The supreme court of Massachusetts seems to have considered this question more frequently than the courts of any other state. In some cases it has followed the rule that the causative danger must be peculiar to the work and not common to the neighborhood, and that in street accidents of this kind the causative relation between injury and employment was too remote to charge the employment with the risk of the injury received.

In *Braley vs. John Hancock Mutual*, 237 Mass. 105, a collector of industrial insurance premiums, receiving a salary

and bonus on industrial business and commissions on ordinary life insurance, and having a definite route or debit and definite collections to make, sprained his angle in stepping off a street car while going to his office to report. The court held the causative relation between employment and injury too remote and speculative and denied recovery under the act.

In the case of *Hewitt vs. John Hancock Mutual*, 225 Mass. 1, the court took the view that an insurance solicitor was not subject to the act. In this case an insurance solicitor was invited by a prospect to take a ride in his auto, and during the course of the ride the prospect was induced to take a policy, and upon the return trip the auto turned turtle and the solicitor was injured. The court does not decide whether he was an employee under the act or not, but inferentially held him to be an independent solicitor, saying that his field of employment was boundless and not limited by material space, but only by his ability to find, interest, and retain as customers, persons interested in insurance, and that the time for work and the manner and method to be followed in its successful pursuit necessarily rested in the judgment of the agent, founded upon his experience and skill, and that the injury was not occasioned by the nature of his employment.

## Different View Is Expressed in Other Cases

However, in *Moran's case*, 234 Mass. 566, 125 N. E. 591, where a solicitor and collector in the employ of the John Hancock Mutual Life was killed by a street car while on his way, at the request of his superior officer, to make certain collections and solicit ordinary insurance, the court held that because his employment compelled him to make use of street cars to call on prospects and make collections, that he was more subject to street risks than the general public, and that he was, therefore, covered by the act.

Counsel for the John Hancock Mutual Life advises me that the real fact of the matter is that the duties of Hewitt and Moran were precisely the same, both being weekly premium agents under the direction of a superintendent. This fact rather lessens the value of this Hewitt case as a precedent. Hewitt's independence was emphasized and the court was influenced thereby, while Moran was shown to have been following specific directions of his superintendent at the time of his injury.

## Street Called the Agent's Work Shop

In the recent case of *Cook vs. John Hancock Mutual Life*, 137 N. E. 733, the Massachusetts court, by a divided opinion, held as subject to the act an insurance solicitor and collector working on salary and commission, who slipped on the step of a street car while going to the office to report collections, and lays down the proposition that where the public street is the employee's place of work, it becomes virtually his work-shop, and that it was not the intent of the act to exclude out-of-door employments such as traveling salesmen, canvassers, and collectors.

The California case of *Brown vs. Industrial Accident Commission*, 174 Cal. 457, is interesting, for while it involved a real estate salesman, and not an insurance agent, nevertheless, the duties of the salesman were somewhat analogous to those of the ordinary life insurance agent. In this case the real estate

salesman was injured by an automobile while riding to sell certain real estate for his employer. The court held that the test was whether the employee, at the time of the injury, was subject to the control of the employer, and held that in this case the employer had adequate means of control over the employee.

## Hold Power of Direction As Guide

The supreme court of Indiana has passed upon the question in at least two cases. In the case of *Empire Health and Accident vs. Purcell*, 132 N. E. 664, it was held that where the duties of an insurance solicitor and collector of premiums, employed on a weekly wage, required him to travel on foot on the streets, a locality to which he was required to go constituted the place of his employment and the hazard of his being assaulted or robbed on account of his business, as well as the hazard of falling, were incidental to his employment so as to entitle him to compensation for injuries, although the public generally in that vicinity was exposed to the same hazards. This was a case where the collector was assaulted while he was conferring with a policyholder with reference to a claim.

In the earlier case of *In re Harraden*, 118 N. E. 142, it was held that where a salaried general agent for a fire insurance company, whose duties required him to visit agencies and adjust losses, broke his leg as a result of slipping on an icy sidewalk while going at night from his train to a hotel in a town to which his employer had sent him to adjust a loss, that such injury arose out of the employment. The court held that if the employment required the employee to be at the place where his injury was received and he was there to discharge his duty, then any risk thereby encountered was incidental to such employment even though the injury might have resulted from conditions produced by the weather to which persons in that locality were exposed.

## Nature of Contract Is Test of Act

Apparently the test as to whether or not an insurance agent is an employee within the meaning of the compensation acts is not the mode of payment, but the nature of his contract, the character of the work he performs, and the power and extent of his employer to direct or control his work. The California compensation act defines an independent contractor as "any person who renders service other than manual labor for a specified recompense, for a specified result, under the control of his principal as to the result of his work only, and not as to the means by which such result is accomplished."

That very respectable authority, the supreme court of Michigan, has exhaustively examined this question and has decided that the test of the relationship is the right to control, and that it is not the fact of actual interference, but the right to interfere that makes the difference between an independent contractor and a servant or agent, and that where there is a written contract between the parties, this must determine their relationship.

## Any One on Salary Probably Is Covered

I believe that agency managers, superintendents, collectors, investigators, or any person or agent working on salary or salary and commission paid

by their employer and subject at all times to the direction and control of the employer, are employees and subject to the usual type of compensation acts. If employed by the company, the company would be liable, and if employed by a general agent, he would be liable as an employer under the acts. Agents working solely on a commission basis should not be classed as employees unless they are also subject to the direction and control of their employer. In this connection it should be noted that most of these agents hold written contracts either with their company or with one of its general agents, which contracts usually define the territory in which the agent is to operate and provide that all applications must be submitted for approval, and quite often these contracts contain clauses substantially as follows: "The agent agrees to devote his entire time, talents and energy to the services of the company, and to act exclusively for it, and also to obey and observe the rules and regulations of the company and instructions of the general agent." Of course, other clauses of the contract might modify or restrict this very general clause, but it seems to me that there is a possibility that our courts may seize upon clauses of this general character as a basis for holding a mere agent on commission as an employee under the act, and not an independent contractor. While a sub-agent of an insurance company, employed by its general agent, may not be an employee of the company, he might be held to be an employee of the general agent.

## Question Should Not Be Ignored

Assuming that a company is subject to a particular compensation act, it should be borne in mind that these acts are usually armed with teeth and contain specific penalties for non-compliance, aside from deprivation of common law defenses. It is impossible to discuss here the steps necessary to fully comply with each act. In general, the company must either get permission to carry its own insurance by putting up securities, or a bond, or must pay into a state fund, or insure in a licensed company and pay premiums for protection, based upon its payroll. The question, therefore, as to whether or not an insurance company should comply with the compensation acts is not to be ignored or passed over lightly.

## Report on Total Disability

The report of the special committee on total and permanent disability benefits in life insurance policies headed by Dr. Henry Wireman Cook of the Northwestern National Life was submitted to the members of the Convention the first day. It represents a vast amount of work and research. It is a constructive and educational document. Dr. Cook in presenting the report, called attention to the necessity of guarding the insurable interest and carefully defining it. Fraud losses will result unless this feature is safeguarded. Dr. Cook urged caution and conservation in dealing with these benefits. Many errors are likely unless companies are careful in their underwriting. The tendency of the day, Dr. Cook stated, is toward liberality in settlement of claims. Policyholders do not want to buy disputes or law suits. The interests of the assured should be broadly interpreted.

On motion of H. R. Cunningham of the Montana Life, the committee is continued to carry on its work.

**Job Hedges** of New York, general counsel of the Life Presidents Association, was present and spoke.



# THE INTER-SOUTHERN LIFE of Louisville

Extends a hearty welcome to the members of the American Life Convention, and thanks all of them for the many courtesies extended for their pleasant cooperation during the past years.

THE INTER-SOUTHERN LIFE  
is a  
GOOD COMPANY



INTER-SOUTHERN LIFE BUILDING

CLEAN,  
STRONG,  
PROGRESSIVE

Assets over	-	-	-	-	\$10,000,000.00
Reserves and Surplus over					9,000,000.00
Insurance in Force	-	-			85,000,000.00

We appreciate the institution of Life Insurance and do not engage in destructive competition, because we are just a legal reserve company offering our services wherever there is a reasonable demand for same.

**Inter-Southern Life Insurance Company**  
**LOUISVILLE, KENTUCKY**

JAMES R. DUFFIN, President

# Playing Fair

The Mid-Continent Life does not pursue a middle course. The agent or policyholder is never left wondering what he can expect of his company. He knows the company will follow the right course immediately. There is no marking time. The same attitude of fairness characterizes every transaction of the company. The agent knows his position is secure. He has an unshakable faith. This type of representation is worth while. It places the agent in a commanding position in his community.

**Mid-Continent  
Life Ins. Co.**  
Oklahoma City, Oklahoma

## Advertising for Agents to Fill Company Needs Is Big Problem

By **JOHN M. SARVER**  
President, Ohio State Life

THE need of more and better agents is one of the great problems that constantly confronts the companies. Nature in her prodigality may occasionally produce men of such extraordinary innate ability as to fit and qualify them to respond as soon as they learn of the companies' need of their services as agents, but the supply of such men is very limited. It follows that life insurance is deeply interested and concerned in the encouragement of schools and courses that will educate and train for this important work. The National Association of Life Underwriters deserves all the credit of inaugurating the plan to establish schools of life insurance salesmanship, a piece of constructive work that shows wise leadership in that distinguished body of intelligent, progressive, forward-looking men who carry the burden of production. At present this source of supply does not promise results that will be at all commensurate with the demand for agents.

### Competition for Agents Called Grand Larceny

The purely experimental method of agency selection is slow, painful and expensive to the companies, as the number of successful agents probably averages not over five to ten percent. Is it any wonder that the producing agents of the companies are rated amongst their best assets? The deliberate interference by competitors with the agency organization of any company is little short of grand larceny, as it is estimated that the average cost of the fairly good agent is not less than \$500. What is the value of the \$200,000 producer? How much are producers of other magnitudes worth? At this time only estimates are made, but the actuaries will some day compute with accuracy the value of such human assets.

Advertising is one of the means quite commonly employed by companies to obtain agents. How far has it been profitable since it is confined almost exclusively to insurance journals? These journals are indispensable to the companies and their agents, but they have few readers outside of the ranks of insurance men. Like other classes of publications, they can not exist without the support of advertising, and this fact is clearly recognized. But is the great institution of life insurance benefited by much of the company advertising in these journals? Should such advertising be of a competitive nature, to the extent of causing discontent amongst the agents of other companies? Does it have due regard for the rights of others? Is it strictly ethical?

### Justified for Brokerage, Though This Plan Unused

That the insurance journals can not be regarded as the proper media to enlist new men in the business is self-evident, all insurance men now agree that the twisting of policyholders is crooked business. Do all now agree that the twisting of agents is crooked business? What should be the attitude of the companies toward the life insurance broker, who directly represents and serves the applicant for insurance instead of the company? Is the brokerage system compatible with the agency system? The brokerage system often brings the companies into the position of competitive bidding for business in soliciting, classifying and rating risks, thereby tending to interfere with scientific underwriting. If it is agreed that brokerage business should be encouraged, there is less objection to much advertising that



**JOHN M. SARVER**, Columbus, Ohio  
President Ohio State Life

now appears in the insurance papers, dwelling upon the fact that the rejected risks of some companies are entirely acceptable to other companies. However, there is little reason to think that any company in the life insurance business finds it impossible to find uninsurable risks and that such advertising discloses to the unsuspecting agents "the truth, the whole truth, and nothing but the truth" in advance of luring them into its service.

In advertising for agents life insurance puts itself into the class of buyers of service, and the buyer in need occupies the weak position. Probably this explains why the companies, advertising in insurance journals, find it necessary to say some things that are hardly in keeping with their dignity.

### Question of Advertising Media Is Raised

There are 57 life insurance papers in this country, supported principally by the more or less competitive advertising of the companies. The circulation of the majority is so small that all papers might be combined into 1-5 of their present number without any harm to the business. The advertising rates seem to have no direct correlation with circulation. Much of the money spent in trade papers can be profitably diverted to other classes of journals for the purpose of attracting new agents into agency work. The transfer of agents from company to company is unwise, wasteful and unsatisfactory in most cases. As long as such conditions prevail the agency problem is not even approach solution, and yet is considered almost too delicate a subject for full and frank discussion in executive session. The American Life Convention has gone squarely on record in opposition to twisting, promoting and circularizing agents. Is it not high time to bring this matter home to all offending members some decisive action? Since competitive advertising for agents as it is conducted by the companies is devoid of good results, the question may be raised as to the possible advantage of cooperative advertising. Many trade associations are now conducting national advertising campaigns to the favorable public sentiment.

### Institutional Advertising Is Broadly Used

A casual study of the advertising pages of the popular magazines of



# AMERICAN CENTRAL LIFE

Insurance Co.

INDIANAPOLIS, IND.  
Established 1899

HERBERT M. WOOLLEN  
PRESIDENT

## Surface and Tap-Root

Surely a company, showing consistent growth, must as a prime essential be firmly anchored. Surface roots will not do. A tap-root running down to the bed-rock of financial security is the only safe and dependable anchor. The history of The Great Northern Life reflects this type of growth. Financially stable at all times, showing consistent progress,

the official personnel and agents of the company point with pride to their company.

The agents of The Great Northern Life are appreciative of their company. They place great value upon their connection. Their opportunity to write complete personal protection (Life, Accident, Health) is an asset of undeniable value.

## Great Northern Life Insurance Company

H. G. ROYER, President

JNO. A. SULLIVAN, Vice-President

C. O. PAULEY, Secretary

Westminster Building, Chicago, Ill.

## WESTERN RESERVE LIFE INSURANCE COMPANY

MUNCIE, INDIANA

*Old Line Legal Reserve Company*

*Operates in Indiana and Ohio*

*Wanted: A few general agents in each State*

*Service to policyholders unsurpassed*

tion-wide circulation reveals that the American Bankers' Association is educating the public as to the trust department service and is offering to furnish inquirers a booklet on "Safeguarding Your Family's Future." There is a strong tendency on the part of the banking interests to explain the benefits of life insurance through the newspapers, often using full pages in a series of advertisements at large expense, for the mere privilege of becoming the endorsers of life insurance. A New York bank has quite recently issued a booklet containing a noteworthy exposition of life insurance for the benefit of the public under the title "The Greatest Family in the World" and its circulation promises to run into 1,000,000 or more copies. The banks are cooperating in the production of a series of booklets, written and printed by advertising experts for general circularization. Similar publicity work has been undertaken by trade associations of brick, plate glass, cement and many other enterprises of industrial and commercial importance.

Institutional advertising of life insurance, planned and executed by advertising men of ability and experience cannot fail to increase favorable public opinion, resulting in more and better agents to produce more business more

economically than in any other way. Cooperative advertising, planned to educate the people en masse, will find the public mind receptive to the story of life insurance as it may be told in a thousand different forms of interest and appeal, because such advertising is not charged with the immediacy of salesmanship.

Cooperative advertising helps to bridge the gap between need and supply, between buyer and seller; and when the gap is closed they merge into oneness through mutual satisfaction. When such advertising so focuses public attention on the service and satisfaction of life insurance to the people that it becomes highly esteemed as an honorable, useful and profitable business worthy of the efforts of the best men as a life work, there is every reason to believe that enough agents of the right type will be found to supply the needs of all of the people and of all of the companies.

Telegrams of greetings were received from Maj. C. A. Atkinson of the Federal Life, who is ill at his home in Chicago, and President Frank P. Manly of the Indianapolis Life, who has just become a grandfather. Mr. Manly's daughter is in a serious condition.

## Strong in its Home State

The Detroit Life offers splendid service to agents in Michigan, the only state in which it operates. It has a complete equipment, writing participating, non-participating, monthly income, and sub-standard.

## DETROIT LIFE INSURANCE COMPANY

M. E. O'BRIEN, President

DETROIT, MICHIGAN

### Accident and Health Benefits Paid by the Leading 30, Among the More Than 300 Companies Doing Business in the United States in 1922:

1. Travelers	\$5,373,027.00
2. National Life & Accident	3,456,832.00
3. Continental Casualty	2,875,197.00
4. Massachusetts Protective	2,597,296.00
5. Aetna	2,577,732.00
6. Fidelity & Casualty	1,927,320.00
7. Business Men's Assurance	1,494,623.00
8. Pacific Mutual	1,410,933.00
9. Life & Casualty	1,338,161.00
10. Commercial Travelers Mutual	1,274,806.00
11. Mutual Benefit H. & A.	1,217,258.00
12. Massachusetts Bonding	1,189,897.00
13. Standard Accident	1,159,827.00
14. Equitable Life	1,145,355.00
15. Illinois Commercial Men's	1,083,289.00
16. Industrial Life & Health	1,015,600.00
17. National Life, U. S. A.	849,679.00
18. North American Accident	845,832.00
19. United Commercial Travelers	836,034.00
20. U. S. Fidelity & Guaranty	783,476.00
21. Metropolitan Life	711,453.00
22. Maryland Casualty	685,387.00
23. Ridgely Protective	672,181.00
24. General Accident	625,955.00
25. Employers Liability	623,268.00
26. Travelers Protective	621,640.00
27. Loyal Protective	604,365.00
28. Kentucky Central	596,036.00
29. Preferred Accident	589,509.00
30. Southern Surety	575,259.00

The Business Men's Assurance commenced business in 1909—13 years old in 1922. The youngest of the six companies whose business in 1922 exceeded the B. M. A. was the Continental Casualty, 26 years old; the oldest was the Aetna, 103 years old. The ages of the other four: Travelers, 60 years; National Life & Accident, 55 years; Fidelity & Casualty, 47 years; Massachusetts Protective, 28 years.

We have gone from the bottom to seventh place in 13 years, competing with more than 300 companies. HOW FAR ARE WE FROM THE TOP?



### Seventh in United States



We are proud indeed of our record achieved in the field of Accident and Health Underwriting, having won our way in 13 years to seventh place among companies transacting such a business in the United States.

### Life Department Now Making Rapid Progress

The rapid growth of our Life Department since its establishment in 1920 and the enlarged opportunity it has afforded our Field Force have more than justified our belief that the fully equipped salesman of today must be prepared to furnish his clients with complete protection against loss of time—whether temporarily through illness or injury—or permanent loss through death.

**Business Men's Assurance Co.**

W. T. GRANT, President  
KANSAS CITY, MO.



## We Recognize

the life insurance agent as the outstanding and important factor of the whole structure of life insurance. On his ability to produce business rests the success of every life insurance institution.

His company must be ready—always ready to give him aid at every turn. Whenever assistance is needed the company should be prompt

to give that type of assistance that is most valuable.

This is the basic working principle of the Midland Life. This thought is uppermost at all times. It builds successful agents, for the company thinks of nothing but success for its men. It is a worthwhile company of established reputation.

### MIDLAND LIFE Insurance Company, Kansas City, Mo.

Capital and Surplus . . . . . \$250,000

Insurance in Force Over . . . . \$26,000,000

Territory:

Missouri Kansas Oklahoma Texas Colorado

"The Heart of America"

Daniel Boone, Jr., President

John M. Smullin, Secretary

## Kansas' Greatest Life Insurance Company

Issues

### *Policies That Protect*

It solicits its patronage on the merits of its service to Policyholders and to the Communities in which it operates, which means

### SERVICE TO AGENTS

The Farmers and Bankers Life Insurance Company

WICHITA, KANSAS

# Review of Year's Legal Decisions

By WILLIAM ROSS KING  
Editor, Legal Bulletin, American Life Convention

**C**ONTRACT provisions seeking to alter or nullify the fact of the agency of an insurance solicitor are generally ineffectual. In cases of fraud in the application, most of the state courts hold the company responsible for knowledge of the fraud on the part of the soliciting agent, but limitations on the powers of the agent insofar as they preclude the applicant or the insured from escaping the plain terms of the contract are doubtless proper. They serve to negative any ostensible authority of the agent to vary the written contract by subsequent oral agreement. The right to such agreement cannot be contracted away, but, if it is made by an agent with alleged authority to bind the company, the principal may provide in the original contract that the agent who takes the application has no authority to alter the terms of the written agreement. Nothing can prevent the subsequent alteration in writing or by parol if by the company; but a contract can preclude a change by any one other than the original contracting parties.

Only in cases where the stipulation sought to be enforced by the company is not a plain provision of contract but rather one of forfeiture, there may be room for the contention that the power of the agent to waive the forfeiture cannot be limited.

## Agents Cannot Waive Policy Conditions

In *Drilling v. New York Life*, 137 N. E. 314, an agent left the policy with the applicant, agreeing to pay the premiums for him. Before he did so, however, the applicant came down with erysipelas and died. The application provided that the insurance was not to be in effect until the policy should be delivered while the applicant was in good health and the first premium paid in cash. The court of appeals of New York holds that the agent had no authority to waive this provision of the application, it having been agreed by the terms of the application itself that the agent taking the application could not modify the contract.

Following and approving this decision of the New York court of appeals, the Federal circuit court of appeals, second circuit, in January of this year rendered an opinion in *McKelvie v. Mutual Benefit Life*, 287 Federal 660, in which it held as a matter of general law regarding the enforceability of a contract provision for payment of the first premium before insurance is to be in effect, and the further provision that agents are not authorized to waive payment.

It will be observed in these cases relating to waiver of provisions for delivery in good health and the payment of the first premium in cash, that courts enforce provisions against waiver by an agent because there is no element of forfeiture involved. These are said to be conditions precedent to insurance but cannot be termed conditions of forfeiture.

## Question of "Contest" Still Under Fire

Turning now to an entirely different question: The Illinois courts are still beset with the difficulties of the *Mohan* case. In *Joseph v. New York Life* the supreme court of Illinois, in an opinion handed down in April, speaking of what is a "contest," held that a defective plea in an action on the policy filed within the contestable period amounted to a contest and could be amended after the expiration of the contestable period.

A rehearing was granted in this case after the first decision in June, 1922, and a new opinion filed April 18, 1923, which appears in 139 N. E. 32. In the revised opinion there is no reference to the *Ramsey* case. The court confines its opinion to the specific facts of the

case, to-wit: Subsequent amendment of a defective plea filed within the contestable period.

What would the supreme court of Illinois say of a suit to cancel brought after the expiration of the period of an original plea filed after the period had expired? The Illinois court is evidently hesitant either to affirm or overrule the *Ramsey* case.

## Other Courts Uphold General Understanding

We have, however, recent opinions from the circuit court of appeals, 8th circuit, United States district court for the southern district of Florida, and the supreme court of Arkansas holding, directly or inferentially, that a suit in equity to cancel for fraud in the application in case death occurs within the contestable period, is unnecessary.

The case of *Mutual Life of New York v. Hurni Packing Company*, 280 Fed. 18, decided April 4th last year, by the 8th circuit, was mentioned at this gathering a year ago. The court said in that case that a letter declining payment was a sufficient act of contest. The letter was written within two years of the delivery of the policy, but more than two years after its date and the decision really hinged upon the meaning of the words "date of issue" as used in the incontestable clause. The holding was that "date of issue" had reference to the date of the policy, so that the contest came too late.

## Death Ends Discussion of Contestable Period

In *Jefferson Standard Life v. McIntyre*, 285 Fed. 670, decided Dec. 1, 1922, suit was brought to cancel two policies for false representations as to health in the application, started within the contestable period for the express purpose of raising a "contest" and without waiting for a suit to be brought after the contestable period should expire, the United States district court for the southern district of Florida holds that the incontestable clause does not contemplate death of the insured occurring prior to the expiration of the contestable period, as it provided that "after this policy shall have been in force for one full year it shall be incontestable." The court denies that the policy is "in force" after the death of the assured.

In *Jefferson Standard Life v. Smith*, 248 S. W. 897, decided by the supreme court of Arkansas, March 12, 1923, the insured having died within the contestable period, the company brought an action to cancel the policy on the ground of fraud in the application, but the suit was not brought until after the contestable period had expired. It is said, however, that the fact that suit was not brought until after the anniversary of the policy is unimportant, because death of the insured fixed the rights in the policy.

## Suit in Equity Not Needed in Most Cases

While necessity of a suit in equity is left in some doubt by the supreme court of Illinois in the *Joseph* case, the other recent decisions cited all regard such a suit as unnecessary, and I know of no recent case holding that it is necessary. A North Dakota case, decided about two years ago, follows the Illinois decisions in holding that a total failure to cancel the policy and notify the insured within the contestable period precludes the defense of fraud later. *Platner v. Northwestern National*, 183 N. W. 1000. The courts in these recent cases seem disposed to give a meaning to the incontestable clause consistent with fairness and with its general purpose, at least that which will

not enable the beneficiary to entrap the company by the device of delaying action.

Statutory provisions in Illinois, Maine, Massachusetts, Pennsylvania, New Jersey, Michigan and New York now approve the insertion of the words "during the lifetime of the insured" in the incontestable clause. The commissioners of Oklahoma and Ohio have disapproved of this form. Several bills in other states failed of passage last winter.

## Defines "Business Within a State"

The third general subject to which I wish to refer briefly in a discussion of the legal decisions of the year affecting life insurance, relates to the case of *Minnesota Commercial Men's Association v. Benn*, 43 Sup. Ct. 293, decided by the Supreme Court of the United States, Jan. 14, 1923. This is the only case decided by the Supreme Court during the current year of importance to old line life insurance companies, excepting possibly those which have assessment departments, which includes only very few companies in the American Life Convention.

The case referred to bears upon the question of when an insurance company is doing business within a state. An application for insurance in a Minnesota insurance company was sent by mail from the residence of the applicant in Montana to the home office of the company. The method pursued was not common to old line insurance companies. The application was solicited by a member of the association who had no authority to bind the insurer. Members are procured by this association by advertisement and through the solicitation of older members, but no soliciting agent receiving compensation is employed. Losses are settled by checks on the Minneapolis banks mailed from the home office.

## Plan Held Without Pale of Jurisdiction

But this much was common to many old line contracts. The Minnesota corporation was insuring a citizen of Montana without securing a license to do business in Montana and in fact claiming that it was not doing business in Montana so as to subject it to the power of a Montana court in a suit upon the policy by serving the insurance commissioner.

The opinion of Justice McReynolds says: "We think it cannot be said that the association was doing business in Montana merely because one or more members, without authority to obligate it, solicited new members. It also seems sufficiently clear \* \* \* that an insurance company is not doing business within a state merely because it insures lives of persons living therein, mails notices addressed to the beneficiaries at their homes and pays losses by checks from its home office."

The state of Montana has no control whatsoever over a Minnesota corporation. Insurance is not commerce and the several states possess exclusive authority over business done within their borders. If it were not for the constitution and its limitations enforced by the supreme court, an insurance company would be subject to suit in the most remote state or territory, regardless of where its policy was originally issued or whether the company had any agent or representative within the district to protect its interests. Either congress or the legislature of any other state could accomplish this, if it were not for the due process clause of the 14th amendment. It is one of innumerable illustrations of the wisdom of our constitution.

*Reliance Life v. Russell*, 94 So. 748, supreme court of Alabama, Nov. 2, 1922, rehearing denied Dec. 7, 1922, held that where an applicant returned his policy to the company, stating that he did not wish the insurance and the policy marked by the company "not taken," the mere failure to return a note given for the first premium did not postpone the accomplishment of cancellation until after the death of the applicant.

*Greene v. Bankers Life of Nebraska*, 209, Pac. 670, supreme court of Kansas, Oct. 8, 1922, held that where the insured upon delinquency accepted a paid-up policy for a reduced amount, beneficiary could not later claim that insured thought he was to receive a cash surrender value instead of paid-up insurance and that it was the duty of the company to apply the cash surrender or loan value to the payment of premiums.

In *Volunteer State Life v. Richardson*, 244 S. W. 44, supreme court of Tennessee, Oct. 9, 1922, the policy was canceled by suit in equity. Insured answered "no" to the question asking his monthly average of consumption of intoxicating liquor and whether used to excess or intoxication. The court held that answers to the question should have indicated the fact that the insured was a habitual user of intoxicating liquors and, irrespective of question of fraudulent intention, policy should be canceled.

## Involved Conditional Delivery of Policy

*Reliance Life v. Gulley's, admx.*, 114 S. E. 551, supreme court of Virginia, Nov. 16, 1922, involved a conditional delivery of the policy. An agent mailed two policies of accident insurance for approval, "take your pick or both and return note signed." It was also held that under the circumstances doctrine of waiver of payment of premium was inapplicable as was also the usual presumption of delivery for finding the policy among the effects of the insured.

*Wright v. Federal Life*, 248 S. W. 325, supreme court of Texas, Feb. 21, 1923, held that where an application contained a delivery in good health clause, knowledge of the applicant of his bad state of health or fraud on his part was not material, providing it appeared, as it did in this case, that the policy was delivered while the applicant was afflicted with a disease which ultimately caused his death.

*Kansas City Life v. Harper*, 214 Pac. 924, supreme court of Oklahoma, March 19, 1923, held that in determining the date which automatic extended insurance would carry a policy, the premium paying date rather than the date of delivery of the policy should govern the date of lapse. To the same effect are *McCampbell v. New York Life*, 287 Fed. 465, circuit court of appeals, 9th circuit; *Painter v. Massachusetts Mutual Life*, 133 N. E. 21, decided by an Indiana court of appeals; *Rollerson v. Standard Life*, 244 S. W. 845, Texas court of appeals.

*Kroksather v. Western Union Life*, 193 N. W. 48, the supreme court of North Dakota, March 24, 1923, held that the grace period described by the statute for the payment of premiums did not apply to the blue note extending the payment of premiums.

*George Washington Life v. American Collapsible Box Co.*, 117 S. E. 785, supreme court of North Carolina, June 1, 1923. A North Carolina statute provides that all statements in an application shall be deemed as representations and not warranties and a representation unless material or fraudulent shall not prevent a recovery. It was held that under this statute statements not fraudulent but untrue, if accepted as inducements to the contract, justified setting aside of the policy by the court.



## Delegation from Life Presidents' Association

WALTON L. CROCKER, president of the John Hancock Mutual Life, was present to represent the Life Presidents' Association. He brought a message of cordial good will. He said that no company can exist for itself alone. Cooperation in the insurance field is necessary. The life insurance course must be so directed and shaped as to secure public confidence and acclaim. Life insurance, he said, must learn to discipline itself. It must develop team work. It must clean house if necessary. Mr. Crocker declared that companies must not fight one another but must help. The eastern states, he asserted, have opened the way for so-called preliminary term companies. Those of all persuasions are now welcome.

### No Principle Was Sacrificed in the Change of Front

Mr. Crocker said that the eastern companies did not abate their principles in getting the laws amended to provide for preliminary term valuation. Nor did the newer companies abate the principles they have espoused in the various negotiations.

Some counsels can be held in common on part of the two company organizations, he said. Mr. Crocker said he was impressed with the achievements of the American Life Convention and its personnel. Great work, he felt, has been done by western companies in specialized localities. They have gained great influence in their territory.

Vice-President C. I. D. Moore of the Pacific Mutual also represented the Life Presidents Association. He referred to the lapse problem and declared policies are not being sold right in the first place. Mr. Moore held that the present graduated system of commissions tempts the agents to sell policies that bring the largest commission rather than those which fit the particular needs of the policyholders. This should be remedied, he said, by some new method of valuation. He urged the Convention to appoint a special committee to study the lapse problem.

Frederick Allen, general counsel of the Mutual Life of New York, is the third representative of the Presidents' Association on hand.

## Legal Lights Scintillate At a Brilliant Dinner

The Des Moines life companies gave the members of the Legal Section a dinner at the Des Moines Club Monday evening. E. M. Grossman, general counsel of the Central State Life, who won his spurs at the meeting last year by his wit, sparkling good cheer and spontaneity in action, was called on this year to roast, toast and boost the legal luminaries as master of ceremonies. He maintained his record and furnished it still more. Among the lawyers who came under the Grossman lash were: J. B. Hanton, Dakota Life; T. J. McComb, Altas Life; W. H. Hinebaugh, Central Life of Ottawa, Ill.; J. C. Jones, Sr. and J. C. Jones, Jr., American National of St. Louis; William Bro Smith, Travelers; Frank Ewing, Metropolitan; W. R. King, American Life Convention; N. H. Aldrich, American Life of Detroit; Frederick Dunham, Life Presidents Association; W. C. Wells, Lamar Life; D. W. Sims, Lafayette Life; W. S. Ayres, Bankers Life of Iowa; N. M. Hubbard, Royal Union Mutual. President J. R. Paisley of the Standard Life of St. Louis, President W. H. Hunt of the Cleveland Life and Insurance Commissioner W. R. C. Kendrick of Iowa, spoke.

James V. Barry, fourth vice-president of the Metropolitan Life, one of the greatest convention men of the country, was introduced and spoke Thursday afternoon.

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# Comment on Options of Settlements

By HENRY S. NOLLEN  
President, Equitable Life of Iowa

THE VARIOUS modes of payment of the proceeds of life insurance policies, in lieu of payment upon maturity in a single sum to the beneficiary, are now so generally offered by life insurance companies that the so-called "Options of Settlement" may be regarded as an essential part of a modern life insurance contract. In fact, the payment of proceeds of policies in installment has been recognized as a proper function of the life insurance company in the statutory provisions of various states, prescribing the standard forms of policies that may be issued.

## Option Cares for Individual Inexperience

These modes of settlement are a natural development in the process of growth and fulfillment of the fundamental purpose of life insurance, which is to provide benefits for dependents at such times as they will be in greatest need of financial assistance. Practically everyone in this audience can doubtless recall instances in which beneficiaries have dissipated or lost the proceeds of life insurance paid to them in

the practice of calling attention to such opportunity in the forms for making claims for proceeds.

The progressive steps in the development of settlement options in life insurance policies indicate quite clearly the purpose they were intended to serve, and this purpose should be constantly kept in mind in analyzing any proposal for installment payments to beneficiaries.

About 30 years ago, the option to pay the sum insured in a fixed number of annual installments was first introduced in life insurance policies. These limited number of installments, however, did not fully meet the needs of certain beneficiaries who were dependent upon a fixed income for life and might survive the limited period. Neither did the life annuities which were then the only available method of providing life incomes prove satisfactory for all cases. To meet this need, in 1893, Emory McClintock, the noted actuary of the Mutual Life of New York, devised a continuous installment policy, under which the beneficiary would receive a fixed income for a period of 20 years certain and to continue thereafter so long as the original beneficiary should live. This will be recognized as the forerunner not only of the modern continuous monthly income policy but of the continuous installment option in other forms of policies.

## Aetna and New York First to Adopt Plan

The Aetna Life and New York Life appear to have been the first to adopt, in the year 1900, the continuous installment option, and the same year the Mutual Benefit introduced the guaranteed income option, under which the principal is retained by the company at a guaranteed rate of interest. Gradually other companies incorporated the various settlement options in their policies, but not until 1907, after New York had taken the lead in establishing standard forms, did companies generally incorporate these options of settlement in their policies.

Manifestly, each option is intended to cover a specific need of some definitely named beneficiary, at some definite time, or upon the occurrence of some specific event. The options are not intended to meet conditions that are remote or improbable.

No doubt, competition has been a factor in introducing these provisions, but in the last analysis their general adoption is an indication that they cover a real need, which insures their permanence. Only within the past few years, as their availability has become more widely recognized, have the problems they introduce been considered of importance.

## Should Be Slow In Writing Variations

It is my personal opinion that a company would be wiser to forego the business than to assume responsibility for carrying out provisions which will involve serious trouble and unreasonable expense, or most likely lead to litigation in the future; and, therefore, there should be no exception to the rule that each proposal be reviewed carefully at the home office and approved, if necessary, by its legal department before the agreement between the insured and the company is completed. This is particularly important because familiarity with all the terms of the policy provisions is essential, as well as knowledge of the legal principles involved in the application of the settlement options; as, for instance, that a change in method of settlement generally implies a change

of beneficial interest in the proceeds, which must be properly covered in the papers to be executed.

In most cases, proposals come in the form of a letter requesting the company to draw up a direction containing certain methods of distribution, which gives the company a fair opportunity to offer suggestions, as well as to see that the forms are complete and within the requirements governing the company's action.

I do not wish to intimate that forms which are drawn outside of the company's office and submitted for approval may not be complete and wholly satisfactory but, at times, a careful analysis of such forms has disclosed the fact that they are incomplete, either by reason of having omitted provisions for certain contingencies which would leave the company in doubt as to the distribution of proceeds in event of such contingencies occurring, and even conflicting provisions have been discovered.

## Forms a Direct Service for Policyholder

The argument in favor of withholding single sums from beneficiaries and paying them in installments is to conserve the principal and income. For whom is this service intended? Manifestly, some particular individual whose needs are to be ministered to.

The options should, therefore, be applied to the use of definitely named beneficiaries, and while a provision for beneficiaries by class, such as "children of the insured" may not be unreasonable, designation by class should be accurately descriptive, conservatively employed and avoided so far as possible.

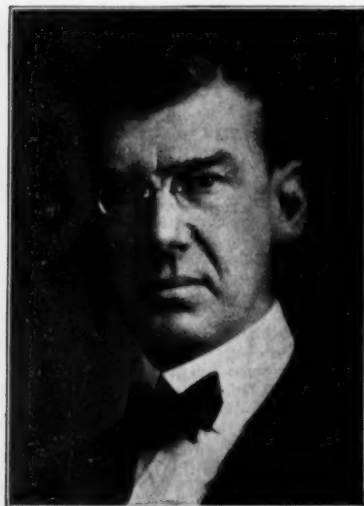
The options should not be used for withholding participation in the principal sum from the immediate beneficiaries of the insured. To illustrate: It is not unreasonable to assume that the insured may desire to make the proceeds of a policy available in installments for the use of his children upon arriving at a certain age, prior to which the proceeds are to be retained at interest and the income payable to the widow, or for the use of the children. But I can not see any reasonable ground for withholding the use of the principal from the wife and children or other dependents of the insured and reserving the principal for distribution to an unborn generation. The dependents of the insured are thus left with sums that are insignificant in comparison with their needs or what might have been provided out of the proceeds originally intended for them. Such requests are not infrequent and probably are not fully understood by the insured.

Occasionally a proposal involves distribution among so large a number of beneficiaries that the amount that is certain to be payable to each one, under any condition, is practically useless; and it is a rather remarkable fact that such proposals usually come in connection with comparatively small policies. It is important to save the proceeds, but it is just as important to avoid the opposite extreme of making distribution in practically useless sums.

## Selling End Is To Be Closely Watched

There has probably been no more forceful argument to convince a policyholder of the insufficiency of sums of insurance which appear large to him to cover ordinary cost of living of his family than the presentation of figures showing the installments which such insurance will provide. There is, however, ample evidence in some requests for installment settlements that analysis has not been made, with the result that

the insured is left with the impression of false security, and perhaps the agent has missed an opportunity to sell additional insurance, but what is more grievous, he has failed to fulfill his mission. The well-informed and industrious agent has made excellent use of his opportunities in explaining and presenting plans for meeting the specific needs of an insured's family. He has become the counsellor of the policyholder and devised a so-called program to cover the future requirements for the business and the home. The options of settlement are particularly adapted to the carrying out of such a program, which will include an income for living expenses for his widow and children; specific sums set aside to become available for the expenses of education of the children, and specific incomes for other dependents. Even though these incomes may demand strict economy on behalf of the beneficiaries, there will be a feeling of satisfaction that their interests have been protected to the largest possible extent within the means that were available, but sore disappointment can only result from a distribution



HENRY S. NOLLEN  
President Equitable Life of Iowa

single sums, leaving them in a sadder condition than they might have been without the benefit of the insurance. Few persons are able to invest funds safely and many, upon coming into possession of sums far in excess of their customary current needs, expend them unwisely. So that experience has proven, in order to make the purpose of life insurance most effective for the protection of beneficiaries, they generally need the assistance of some agency to supply them with the proceeds in such manner and at such time as the need arises. Even when beneficiaries have realized the need of such an agency, they have many times been misled by incompetent friends or unscrupulous advisers. It is therefore my opinion that the life insurance company can render the beneficiary, usually inexperienced, most valuable service through the installment provisions in its policies, but in the practical application of them vital questions have arisen as to the limits within which they may be properly applied.

## Use of Options Is Rapidly Growing

Not only is the use of these options by the insured rapidly growing, but experience within my observation indicates that, in the absence of a direction by the insured, beneficiaries are availing themselves in a rather surprising degree of this service on maturity of the policy. This may in part be due to



HERBERT M. WOOLLEN, Indianapolis  
President American Central Life

under which beneficiaries must come to realize that funds beyond their needs are left for the use of distant heirs or remote contingencies that may never arise.

## Executive Session Was Very Spirited

There was a spirited executive session Wednesday night at which the ethics of the business were discussed. Some executives charged their associates with poaching on their private preserves. Charges of violation of good taste and ethics were made against some companies in their advertising, proselyting and field methods. It was claimed that agents were being "stolen" by unethical methods. H. M. Woollen, president of the American Central Life, was in charge of the meeting.

## Graham Wells Taken Ill

Graham C. Wells, president of the National Life Underwriters Association, was enroute to Des Moines to speak before the American Life Convention. He was taken acutely ill at Chicago and could journey no further. The Old Colony Club at Chicago telegraphed a message of greeting from President Wells. It stated his illness evidently was due to ptomaine poisoning.



# nts Total and Permanent Disability Clause

By **DANIEL B. NINDE**  
General Counsel, Lincoln National Life

**T**HE total and permanent disability clause presents many possible questions that have not been passed upon by the courts of last resort. In my rather hurried investigation I have found only two decisions in which the construction of this clause has been involved, viz.: the cases of Wick vs. Western Union Life, 1918, 104 Wash. 129, 175 Pac. 953, and Southern Life vs. Hazard, 1912, 148 Ky. 465, 146 S. W. 1107.

In the Wick case the clause provided that "if the insured before attaining the age of 60 years, shall furnish due proof that he has, before default in the payment of any premium, become wholly disabled, etc." The insured maintained that if at any time before he reached the age of 60 years he furnished proof that he had become totally disabled at some time in the past, and that such disability had occurred before he was in default in the payment of any premium, then he was entitled to the benefits provided by the clause. The court held, however, that there could be no recovery on the policy where the proof of total disability was not furnished until after default in the payment of a premium and the expiration of the days of grace. In reaching this conclusion the court considered the provision of the clause quoted above in connection with the provisions of the policy as to consideration and days of grace, and held that the language "has before default become wholly disabled" did not mean "had before default become wholly disabled."

## Important Point Is Raised in Hazard Case

In the Hazard case the clause provided that "after one full annual payment shall have been made, and before a default in the payment of any subsequent premium, if the insured shall furnish satisfactory proof that he has been wholly disabled, etc." The second annual premium on the policy involved became due on Sept. 27, 1910. On June 25, 1910, Hazard was disabled, and this disability continued until his death in May, 1911. Hazard failed to pay the second premium due Sept. 27, 1910. On Dec. 21 he furnished the company with proof of disability. After his death the company refused payment of the principal amount due under the policy. The contention of the claimant was that time was not of the essence of the contract, and that notice before default was not a condition precedent, but a penalty, and failure to observe strictly the conditions of the clause should not defeat his rights under the policy.

The court referred to prior decisions that the right of the insured to a paid-up policy, or to any existing right under a policy, is not lost or forfeited by failure to surrender the policy within the time required, and held that since notice

of the disability was given within a reasonable time, the claimant was entitled to recover in spite of the fact that the premium was in default at the time notice of disability was given.

It would seem that the decision in the Hazard case furnishes a dangerous precedent. If that court was correct in holding that the insured's right to the benefits of the clause became fixed when the disability arose before default in payment of a premium, notwithstanding the clearly expressed intention of the clause, how are we to limit the time within which proof of disability can be offered? If this decision should be generally followed by the courts of last resort, would not the way be open for fraudulent claims on numberless policies containing this clause years after the policies have lapsed for non-payment of premiums and when the evidence as to the facts has become difficult to obtain by the company?

## Wording Often Influenced by the Agency Managers

I realize that the wording of this clause is often influenced by agency managers who desire to make the clause as liberal as possible and are sincerely convinced that if the total disability has occurred and existed for 60 or 90 days before default in payment of premium and is probably of a permanent character, then the insured should be entitled to the benefits provided by the clause. I am convinced, however, that such provisions are dangerous in the extreme and are very sure to give rise in the future to annoying claims that will be difficult to contest.

The question as to what constitutes total and permanent disability within the meaning of the clause, usually employed in life insurance policies, has been presented in a number of cases. In general, the decisions hold that the words "Total and Permanent Disability" as used in the clause, will not be construed literally and that the mere fact that the insured is still able to perform occasional or trivial acts of labor, will not prevent his recovery if he establishes that he is prevented by his disability from earning a living in the line of work upon which he has depended for a livelihood, or for which he might be reasonably fitted by experience and training.

Whether the disability is total and permanent is a question for the jury under all of the facts submitted in evidence as to the nature of the disability, the extent to which the insured is able to perform any work connected with his usual occupation, and the education,

training and aptitude of the insured to earn his living in some other manner than in his former occupation.

I take it that the intention of the life companies by this clause is to protect the policyholders against the hazard of their being so disabled by accident or disease as to make it difficult or impossible for them to pay the premiums upon the policy, and also to give assurance against loss of earning power due to such disablement. These benefits, however, are generally given upon certain conditions, viz.: that the disablement shall arise from causes originating after the delivery of the policy and that both the time of commencement of disability shall of proof thereof to the company, shall precede any default in the payment of premiums; and further, that the disability shall be such as to prevent the insured from earning any substantial income or doing any labor, physical or mental, that can be said to be more than trivial or occasional acts, and that the proof submitted must show that in all human probability such disability will be continuous and permanent during the life of the insured.

## Exact Language Should Be Used in Clause

Assuming that this is the purpose and intention of the companies, it is the duty of counsel to see that this intention is expressed in such exact language as will show clearly to the insured just what his rights are, and will protect the company by avoiding all ambiguity that might under the general rule of interpretation of insurance contracts, extend the liability of the company beyond what was intended.

It must be conceded that as this clause has been customarily drawn, it embodies contradictions by its own terms. We first provide that the proof shall show that the insured has become wholly and permanently disabled and that he will be permanently, continuously and wholly prevented for life from performing any work for compensation or profit, and then provide that, notwithstanding such proof has been accepted by the company as showing both total and permanent disability, the insured must later on furnish, at the demand of the company, proof of the continuance of this disability.

We then further limit or define what the company means by total disability by specifying that certain things, such as the loss of sight of both eyes, or of the use of both hands or feet, shall be deemed to be total disability within the meaning of that term as first used in the clause. Such language is definite and

specific when any one sentence is construed by itself, but when each sentence or provision is construed in connection with the provisions that precede or follow, it must be apparent that we do not mean exactly what we say. In the first place, it is beyond the bounds of human knowledge to determine, except in rare instances, that any given disability is either total and permanent, or that it will be permanently total. We recognize this when we later provide for future proofs of the continuance of the total disability and that certain disabilities shall be construed as total and permanent which under some circumstances would not prevent the insured from earning a substantial income.

## Some Questions That May Affect the Clause

It may be well to consider some of the questions that might arise in the construction of the various clauses used in policies.

Few of the clauses appear to exclude disabilities arising from injuries self-inflicted, and many do not exclude those the result of a commission of an unlawful act. In the absence of such exclusion, what would be the result if the injuries were voluntarily self-inflicted, or the result of an unlawful act?

Many of the clauses provide that the company "will, with the consent of the assignee, if any, pay to the insured a monthly income, etc." In such cases, what would be the effect if the policy has been assigned and the assignee refuses his written consent? In some clauses used there is no such reference to the assignee, but the monthly income is payable to the insured. In such cases where the policy has been assigned, could the company, on proof of disability by the insured, safely pay the income to him without the consent of the assignee?

Could the incontestable clause be construed as having any effect upon the company's right to refuse a claim and defend against it on the ground that the disability resulted from causes originating prior to the delivery of the policy, the contestable period having expired? Would it be desirable to attempt to so draw the clause that the right of the insured to its benefits could not be assigned?

If a claim is refused and suit is brought by the insured for waiver of premium and payment of income, on the ground of total and permanent disability, and such suit results in a judgment for the insured, would such judgment be an adjudication of the permanency of such disability so as to preclude the company from later on refusing payment on the ground that the insured was totally disabled?

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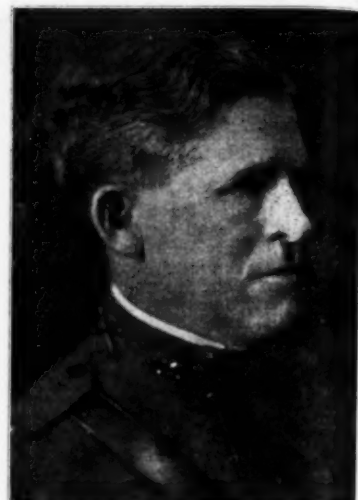
By CHARLES DOBBS  
Managing Editor, "Insurance Field"

THE generation of which we are a part has seen a revolution in the methods of studying and writing history. We have grown away from the time when history was a mere record of dynasties and a chronicling of the intrigues of politicians. It was this old method of historical study and writing which provided Napoleon with the occasion for his famous dictum that "history is a fable agreed upon" and moved that financial wizard and administrative genius, Henry Ford, to declare within the past few years that "history is bunk." But history, as modern qualified scholars treat it, is the record of great forces and movements, and calls to its aid all the discoveries of biologists, geographers, geologists and psychologists. This new method has made it possible for us to trace with startling clearness the genesis of many of the economic and political problems which confront us at the present moment.

HE is a poor American indeed who does not thrill with pride in the marvelous achievements of the steadily advancing army of pioneers who have made the wilderness "to blossom as the rose" and who have built up in the Middle West in the course of a few decades a material civilization unmatched in a thousand years of European growth. The epic quality of the American pioneer movement, the Westward march of Walt Whitman's "tan-faced children"—the "warlike Christian" settler of a quaint Virginia statute of 1701—can never be too bravely sung. But facing all the facts, we must know that peoples as well as individuals are compounded of strength and weakness. Our Westward march to the conquest of an empire has not been uniformly a procession of heroic souls bearing banners and shouting "Excelsior." It is in the less heroic aspects of our development that we much search for the beginning of some of the present problems which are of vital concern to the life insurance companies—not only those comprising the membership of this desirable body but all companies whether they are domiciled in the east, west, north or south.

NOT only in America, but everywhere, the "tide of empire" has been westward and in varying intensity the same traits have manifested themselves over and over again. The first characteristic has been the wastefulness of resources—a wastefulness inevitable when we consider that before the pioneer eyes there stretched a seemingly limitless region of boundless wealth waiting only to be developed. It is only natural that, accompanying this waste, there should develop an individual improvidence and recklessness. If he knew that a few miles further on there was virgin soil and wood waiting his plow and axe, of what concern was it to the pioneer if he was exhausting his soil and his forests?

A second characteristic born of this centuries-old conflict between the east and west was a contempt of culture as exemplified in the eastern landlord and money lender. Hand in hand with this contempt of culture there has been ever present a certain naive credulity. Pioneer ears have ever been ready to listen to stories of bags of gold at the rainbow's end; to hear denunciations of the east and like the children of Hamelin to follow the Pied Piper of politics and the crude demagogues who have played upon the guilelessness and resentments of the pioneer people. These demagogues have been either of the type of conscious parasites on the body politic or mere blind leaders of the blind. The astonishing spread of unsound assess-



CHARLES DOBBS, Louisville  
Managing Editor "Insurance Field"

ment insurance ideas is an example of this blind and fatuous leadership.

PIONEERS have ever shown a marked disposition—in their contempt of eastern culture—to confound mere uncouthness with strength; to mistake for manly independence the boorishness of refusing to wear evening clothes, and sometimes to assume that the ammoniac odor of the manure heap is the ideal atmosphere for "plain living and high thinking." In short our pioneer people, both urban and rural—strong, lovable, courageous—have provided a never failing crop of lambs for the political and business wolves to prey upon.

There is no occasion for discouragement, however, in this recognition of the defects of our pioneer stock. Equally clear with their weakness, is a certain instinct for unity born of the necessity for mutual helpfulness and cooperation in meeting the hardships and perils of the wilderness. Modern historians have been quick to recognize that when the political and economic center of gravity shifted westward of the Allegheny Mountains a new element of national strength was born. The fierce democracy of Andrew Jackson, who in his day bruised the head of the serpent of nullification, was alive with national feeling which later found its perfect flower in the saintly Lincoln who saved the union and set America on a new path of greatness and glory.

ANALOGIES are always dangerous as a basis of conclusions but certainly there is some measure of parallelism between the wild cat banks of the Jackson period and wild cat schemes and companies launched by shrewd and cynical promoters following the revelations of the Armstrong committee in the opening years of this century.

The development of life insurance in the west and south, however, has been on the whole characterized by the finest aspects of pioneer courage and constructive capacity. In this fact we have the promise of a new era of development infinitely greater than any we have yet seen. Properly to avail ourselves of the opportunities, however, we must recognize not only the weaknesses growing out of our pioneer development but the various other facts as they exist today.

First of these facts is that the field for pioneering in the old sense has been exhausted. There are, generally speak-



ing, no more new lands for occupation by the dissatisfied pioneers. Accordingly, the watchword of the hour has come to be conservation of collective and individual powers. Thus a new aspect of pioneering is developing before our eyes.

INSTEAD of waste we must save; for the cultivation of virgin fields, as old tracts are exhausted, we must substitute intensive cultivation.

For the proper development of our possibilities we must build up our reservoirs of money to meet the continually expanding agricultural and business needs of our section. In this building of reservoirs our life insurance companies have made a beginning upon wide and deep and firm foundations.

With the building of these reservoirs must go along parallel lines a propaganda to counteract the vicious habits of personal improvidence, and substitute in their stead habits of personal thrift.

Through no agency yet devised by man can these two ends of collective and individual thrift be so powerfully promoted as through life insurance. It is freighted with too much of general welfare—it is the instrument of the holiest ambitions of too many home-loving and family-building men—to be left the defenseless victim of unwise laws and mischievous supervision. Through intelligently directed efforts in public relations there is the promise of such a popular understanding of life insurance—such an appreciation of their equities by policyholders—that the political meddlers will not dare touch it.

IT falls upon men of vision in the life insurance business to re-state the principles of national unity. With the wireless annihilating distance, with the Atlantic and Pacific separated only one day's journey by aeroplane, and with all the multiplying means of rapid communication, neither the hills nor the valleys, neither streams nor deserts, divide us as a people. While the centuries-old conflict between the east and west has not been without beneficent results it has planted a provincialism which is encouraged in the slogans of politicians long after the political and economic necessity for sectionalism has ceased. Many of us in this room have not been blind to the fact that even during the history of the American Life Convention there has been much of narrow sectionalism twisted to the uses of schemers and swindlers but even more encouraging has been the recognition by the more far-seeing elements in the business of the essential unity of life insurance everywhere. Out of this vision of broad minds has come the entente cordiale between the American Life Convention and the Association of Life Insurance Presidents. Henceforth we may be sure that such conflict as may arise between life insurance of the east and north, of the west and south, will not be marked by the spirit of acrid controversy or sectional hatred, but by a noble rivalry in the upbuilding of America and cultivating the soil for an ever growing strength and beauty of individual and national character.

## Prize Winners in Golf Tournament

The golf tournament was played Monday and Tuesday at the Wakonda Country Club. The dinner at which the prizes were presented was held Tuesday evening at the club with President W. A. Watts, of the Merchants Life, in charge. The winners were:

Low gross in qualifying round—Henry Abels, Franklin Life.  
First prize in putting—R. A. Norton, Merchants Life; Second, E. E. Sallee, Bank Savings Life.  
First flight—Henry Abels, Franklin Life, winner; James Fairlie, Mutual Life of Illinois, runner up.  
Second flight—C. W. Gold, Jefferson

Standard, winner; W. P. Kent, North American of Chicago, runner up.

Third flight—Daniel Boone, Midland Life, winner; John S. Hale, Northwestern National, runner up.

Fourth flight—Dr. H. W. Cook, Northwestern National, winner; B. S. Beecher, National Guardian, runner up.

Fifth flight—E. E. Sallee, Bank Savings, winner; W. H. McBride, National Life and Accident, runner up.

Consolation handicap—E. O. Burget, Peoples Life of Indiana, first; C. W. Hill, Retail Credit Company, second.

Low net score, 18 holes—Massey Wilson, International Life.

## Banquet Features

The banquet Thursday evening was in charge of Gerard S. Nollen, vice-president of the Bankers Life of Iowa. There were many special features. Mrs. Bert N. Mills, wife of the assistant secretary of the Bankers Life, sang. C. M. Cartwright of THE NATIONAL UNDERWRITER acted as master of ceremonies. George S. Galloway of the American Service Company of Chicago gave inspection reports on President Kuhns and Vice-President Nollen of the Bankers and President Cunningham of the Montana Life. W. W. Mack of the "Weekly Underwriter," king of the radio, broadcasted messages from Vice-President R. W. Stevens of the Illinois Life and President F. P. Manly of the Indianapolis Life. Dancing followed the banquet.

## Fathers and Sons

Three prominent company presidents were accompanied by their sons who have during the last few years entered the business in the same institutions with their fathers. The fathers were Presidents Emmet C. May of the Peoria Life, J. J. Cadigan of the New World Life and A. C. Bigger of the Reinsurance Life of Dallas. J. W. Stevens, Jr., son of Vice-President R. W. Stevens of the Illinois Life, was present to represent his father as the latter was unable to attend on account of illness.

## Record Breaking Registration

There were 114 American Life Convention companies registered, the largest in its history. The next highest registration was at Milwaukee last year, there being 107 companies represented at that time. There were 32 nonmember companies represented in Des Moines.

Job Hedges, general counsel of the Life Presidents Association, attended the meeting.

## REPORT ON PERMANENT AND TOTAL DISABILITY (CONTINUED FROM PAGE 7)

Majority opinion seems to be that subsequent proof should not be required oftener than once a year. It is suggested, however, that when the annuity benefit commences immediately upon proof of disability, or is considered permanent when disability has existed for three months or less, provision should be made for more frequent examinations during at least the first two years of disability.

All clauses stipulate termination of benefits upon failure to furnish subsequent proof as required, or if it should appear that the insured is able to perform any work or engage in any occupation.

The disability clause in practically all companies does not apply while the insured is engaged in military or naval service in time of war. It might also be prudent to include a provision that work as a civilian in connection with military or naval operations in time of war, or in the manufacture of explosives, is a risk not assumed.

Some companies terminate the benefit while the insured is engaged in aeronautics, aviation or submarine service, as passenger or otherwise. The benefit does not accrue under paid-up policies,

## The Agent's Best Interests Are with His Policyholders

Here is the net cost record (based on dividend scale in effect since 1917) the Register Life Agent offers his policyholders:

We Have a  
General  
Agency  
Opening  
at

CLEVELAND,  
OHIO

Write or Wire.

Age 35	At End of Five Years	At End of Ten Years
<b>Ordinary Life</b>		
Premiums less Dividends.	\$104.95	\$204.16
Less Cash Values.....	46.95	64.16
<b>Twenty Payment Life</b>		
Premiums less Dividends.	\$152.74	295.42
Less Cash Values.....	54.74	53.42
<b>Twenty Year Endowment</b>		
Premiums less Dividends.	213.13	410.38
Less Cash Values.....	46.13	17.38

The business that sticks is the business that pays—the agent, the policyholder, and the company. A record like this is easy to sell, and explains the remarkable persistency of Register Life business.

## REGISTER LIFE INSURANCE COMPANY

Incorporated 1889

DAVENPORT, IOWA

A Purely Mutual 3% Legal Reserve Company

## MICHIGAN MUTUAL LIFE INSURANCE COMPANY

of DETROIT

ORGANIZED 1867

Has what a successful Agent requires in the Company he represents, namely—

**AGE! SIZE! STRENGTH!**

We will be in our new Home Office building shortly after January 1st, 1924, and respectfully invite all Life Insurance men when in Detroit, to call and see us.

J. J. MOONEY  
President

A. F. MOORE  
Secretary

GEO. B. MCGILL  
Supt. of Agencies

# The Standard Life Insurance Company of America

HOME OFFICE, PITTSBURGH, PA.

The Standard Life contemplates expanding its organization for the purpose of intensively developing Pennsylvania and Ohio. Men of proved ability have an opportunity to make direct Home Office connection. Standard Life Agents are in position to offer up-to-date forms of

## LIFE, ACCIDENT and HEALTH INSURANCE

backed by ample Capital, Surplus and highest standard of Reserves.

Address: J. D. Van Scoten, Director of Agencies, Standard Life Bldg., Pittsburgh, Pa.



The Japanese disaster is responsible for an unprecedented boom in the lumber business in the extreme Northwest.

We have exceptional openings for

**Seattle**  
**Northern Idaho**  
and  
**Western Montana**

### Five Increases in the

scale of dividends to policyholders in twelve years—

ONE OF ELEVEN in the entire country that did not reduce dividends during the Flu and the War.

A NET SURPLUS of ten and one-half cents on the dollar to protect policyholders.

*Such Facts Are Significant*

On Agency Matters address

O. J. LACY, 2nd Vice Pres.

**The Minnesota Mutual Life Insurance Company**  
**SAINT PAUL**

or under policies in force by the operation of the extended insurance option.

It should be clearly stated, either in the policy or in the disability clause itself, that disability benefits do not apply to any policy to which the original might be converted, unless evidence of insurability satisfactory to the company is furnished and an adjustment of the premium made.

Acceptance by the company of any premium while the insured is engaged in any occupation or service involving risks not assumed under the benefit, should be stated not to constitute a waiver of such restrictions.

The insured should have the right to terminate this benefit at any time upon request, and upon surrender of the policy for endorsement.

The premium required for this benefit is generally stated in the premium clause, whether or not included in the premium on the first page of the policy, with a clause providing that upon termination of the benefit premiums on the policy shall be reduced and refund made of any unearned portion paid.

#### Tentative Suggestion for Disability Clause Made

The following general disability clause is tentatively suggested as a guide for those companies which have not incorporated this benefit in their policies, and for those which might be contemplating some change in their practice:

"If the insured, after the delivery of this policy and before default in the payment of any premium, shall furnish proof satisfactory to the company at its home office that he has become totally and permanently disabled before the anniversary of the policy nearest the insured's age of . . . . . years, provided disability does not result directly or indirectly, in whole or in part, from injuries self-inflicted, the company will:

"1. Waive the payment of all premiums becoming due after the receipt of proof of disability and during the continuance of such total and permanent disability; and

"2. Pay to the insured, or if disability results from insanity will pay to the beneficiary in lieu of the insured, a sum equal to one per cent of the face amount of this policy (not including any paid-up additions), the first payment to be made . . . . . after receipt of such proof, and a like amount upon the same day of each month thereafter during the continuance of such total disability until the death of the insured, or the maturity of the policy as an endowment. If there is any indebtedness on the policy, the interest thereon will be deducted from each monthly payment. No deductions will be made from the amount payable at death or maturity as an endowment on account of any monthly payments made or premiums waived. [Annual dividends will be paid in cash during the continuance of disability, and will not be allowed to purchase any paid-up additions or applied toward the conversion of any life policy to an endowment. (The foregoing may be added to the policies of participating companies unless prohibited by state law.)]

"If total and permanent disability occurs after the anniversary of the policy nearest the insured's age of . . . . . years, under the same conditions as herein-before mentioned, the company will advance subsequent premiums as a loan, without interest, secured by this policy.

#### Definition, Proof, Cancellation Covered

"Definition of Disability. Disability will be deemed to be total when it is of such an extent that the insured is prevented thereby from engaging in any occupation or performing any work for compensation or financial gain, [and such total disability will be presumed to be permanent when it is present and has existed continuously for not less than . . . . . months. (This provision to be included only when an adequate additional premium is charged.)] The entire and irrecoverable loss of the sight of both eyes, or the severance of both hands at or above the wrist, or of both feet at or

above the ankles, or of one entire hand at or above the wrist and one entire foot at or above the ankle, will without prejudice to other causes of disability be considered as total and permanent disability.

"Proof Required. The company may at any time [but not oftener than once a year] require proof of the continuance of such disability. If the insured fails to furnish such proof, or if it shall appear to the company that the insured is no longer totally and permanently disabled, premium payments shall cease and no subsequent premiums shall be waived or advanced as a loan against the policy.

"Premium. The additional premium in consideration of which these disability benefits are granted is \$ . . . . ., by which amount the premium stated on the face of this policy will be reduced upon the anniversary thereof nearest the age of . . . . . years. (The last part of this section may be left off if continued payment of premiums is required to provide for disability benefits granted after the age 60 or age 65.)

"Automatic Cancellation. The provision for total and permanent disability benefits shall automatically become null and void without action on the part of the company or notice to or from the insured, if the insured shall engage in military or naval service in time of war, or if the insured shall engage as a civilian in any occupation in time of war involving association or connection with military or naval operations, or in the manufacture of explosives, or if disability results from aeronautic, aviation, or submarine casualty. In the event of such automatic cancellation no payment of premiums for the disability benefits, or acceptance thereof by the company, shall continue or restore the disability benefits herein provided.

"The provision for disability benefits and the premium therefor may be discontinued at any time upon written request of the insured, accompanied by the policy for endorsement. In the event of cancellation of the disability provision, upon request of the insured or as otherwise provided herein, the insured shall be entitled to a return of the unearned premium for the balance of the current policy year."

#### Liberality Has Effect on Underwriting Selection

The tendency toward increasing liberality, which has been so noticeable in the ever-broadening coverage of the disability clause, is also marked in connection with original selection. The first attitude was very restrictive, and disability benefits were always denied when any departure from the normal risk was reported, even though in many cases the impairment might be so slight as to permit the issuance of standard insurance. This restriction was especially severe with any family or personal history suggestive of even a distant liability to tuberculosis or insanity, any impairment of sight or hearing, or, in fact, any physical disability whatever.

The gradual tendency has been to liberalize this attitude and now disability is granted by some companies in cases of definite physical impairment and organic diseases, usually at increased rates to correspond with the increase in the life rates.

While in the early use of the disability feature selection was unnecessarily severe, your committee feels it is incumbent upon it to warn against too liberal an attitude in selection because of competitive pressure.

No hard and fast rules are possible and practice is less uniform here than in life selection. We offer, however, the following suggestions for general guidance:

#### Watch Insurable Interest and Over Insurance

The primary purpose of disability insurance in connection with life policies is obviously to protect the insured against loss by lapsation at a time when the need for protection is most vital. In its gradual development, however, the disability feature has been extended to compensate in part for an existing



earning power which might be impaired or lost by disability. It is not a bonus for disability. Therefore, the financial insurable interest must be kept definitely in mind in acting upon applications for disability. The insurable interest is of even greater importance than in selecting for life alone.

At the present time only a few companies have questions which elicit the amount of total accident and disability insurance carried by the applicant. The first step in guarding against over-insurance must be knowledge of the amount carried by the applicant, and we recommend that each company writing disability insurance incorporate in its application blank such a question.

#### Cautious Against Issue of Excessive Amounts

J. M. Laird suggests that the granting of disability be limited in amount by a graded scale, permitting a higher percentage of earnings for those insured for smaller amounts, as follows:

Monthly Indemnity	Maximum Percentage of Earnings
\$100 .....	80%
\$200 .....	70%
\$300 .....	60%
\$400 or over .....	50%

Your committee recommends that disability benefits in excess of 50 per cent of actual income earned be granted with caution.

Although a few of the larger companies issue monthly disability annuities up to \$500, the majority prefer not to assume liability where the total amount carried is for more than \$250 a month, and the case should have careful scrutiny where the monthly payments would be over \$200. The underwriting committee of the Bureau of Personal Accident and Health Underwriters, has recommended a more liberal limit of \$500 a month, including indemnities in all accident and health companies.

Mr. Hutcheson, in his presidential address before the Actuarial Society of America in October, 1920, suggests that "It may be necessary to include a provision in each company's policy to the effect that in event of disablement, if the insured is covered by several policies, each company will pay only such proportion of the income insured as its policy bears to the aggregate disability income." This is in line with the practice of several accident companies, but life companies will probably not soon find it practicable to take this stand.

#### No Objection to Adding Clause to Term Policies

There is no vital technical reason why the income disability benefit should not be added to term insurance policies, but there are practical considerations which should not be overlooked. Companies are well guarded against over-insurance in the case of life and endowment policies because of the comparatively small percentage of the total premium which goes to purchase the disability benefit. Your committee believes that there is much more danger of over-insurance and speculation in income disability insurance when this benefit is issued in connection with term policies, even when a limit is placed on the total amount of disability income permitted.

The waiver of premium benefit, however, may very safely and properly be added to term policies, provided, in the case of convertible term insurance, that the benefit does not extend to any higher premium form to which the term policy may be converted; and provided, as to renewable term insurance, the disability premium is commensurately greater than that applicable to a term contract which is convertible only.

#### Age Sex Nationality All to Be Considered

Over 80 per cent of the American companies issue waiver of premium and income benefits for disability to applicants between the ages of 15 and 55 years. Some companies, however, offer these benefits up to age 60. Disability benefits to minors who have not established any permanent occupation or income should be granted only with great

caution. As the coverage in the majority of clauses ceases upon the insured's attaining age 60, particularly as to the annuity benefit, and as the opportunity and temptation to set up claims of a malingering nature increase with advanced age, it seems prudent not to issue disability over age 55.

At first, many companies refused the disability provision to women applicants, but here also there has been a rapidly increasing liberality of selection, which seems to be justified. As the percentage of disability on women is lower than on men, companies may grant disability to women, provided proper precautions are taken with regard to amount, occupation, etc. Insurable interest for income disability benefits, as previously explained, requires an earning power which would be lost by disability. Therefore, women applicants must be self-supporting and, preferably, unmarried and past the normal marrying age.

As to nationality and residence, we quote again from Laird: "The best experience will undoubtedly be obtained on whites born in the United States or Canada or the better parts of Europe. Only persons who can read, write and speak English should be solicited." Experience also indicates that the northern and western parts of the country are more favorable than the southern. A change of residence—especially to Colorado, New Mexico, Arizona, Southern California, Texas or Florida—should be considered as possibly due to an unfavorable condition of health. Disability should be refused, or additional rate charged, when contemplated change of residence to some tropical or unhealthy country is indicated.

#### Inspection and Survey of History Important

A careful inspection report often reveals reasons why disability should not be granted. The inspection supplements in its general features the agent's report and the medical examination. Specifically, it gives the best basis for estimating the moral hazard and speculative feature, and often gives valuable details on occupation. The disability privilege contributes an additional speculative incentive to that of the life contract, so that added weight attaches to the moral and financial status of the applicant. It is entirely possible that a questionable record as to veracity, honesty, or financial reliability, might not be sufficiently definite to warrant declination for life protection, and yet might call the disability feature into serious question.

Family history is of the greatest importance in candidates for disability, as the two most frequent causes of disability—tuberculosis and insanity—are both diseases which show a strong family tendency. Greater importance must be attached to an immediate family history of these diseases in selecting for disability insurance than for life alone. The following is suggested as a general guide for not granting disability:

#### Offers Guide for Acceptance or Rejection

"Family history of tuberculosis (parent, brother, sister). One case, if applicant is under standard weight and under age of 35, provided the impairment indicates an expected mortality of 125 per cent. Two or more cases, regardless of age of applicant.

"Family history of insanity, epilepsy, or suicide. Two or more cases, regardless of age of applicant.

"As disability insurance is not usually granted after age 55, and in some cases not after age 50, it probably is not practicable to restrict disability privileges in the case of individuals whose family histories show apoplexy, heart, and kidney disease, unless the tendency is marked, and three or more cases of these diseases have developed prior to age 65 in the immediate family.

"Personal history reveals most of the physical prohibitions to the disability feature.

"The following histories permanently disqualify: personal history of syphilis, alcoholism, liquor or drug cure, tuberculosis (except possibly localized cervical glandular after a twelve years' in-

# AMERICAN LIFE

## Reinsurance Company

### OFFICES:

Magnolia Bldg., Dallas  
29 So. La Salle Street, Chicago

### MOTTO:

"First in Service  
Second to None in Security."

## UNEXCELLED RECORD

### INSURANCE IN FORCE

March 11, 1919, began business

December 31, 1919, \$5,290,881

December 31, 1920, \$19,025,345

December 31, 1921, \$27,146,043

December 31, 1922, \$32,019,215

September 30, 1923, \$40,000,000

### 1923 biggest year in Company's history

### ENDORSEMENT

Extract from examination by Texas Department of Insurance and Banking in 1922.

CONCLUSION—"It is gratifying to be able to state we find after close investigation that the history of the Company from the beginning has been entirely free from objectionable methods or practices. The Officers and Directors are men of recognized ability, character and energy. It is evident that the Company enjoys the fullest confidence of its clients and that both the excellent service it renders and the security it furnishes are duly appreciated."

### OFFICERS:

A. C. BIGGER  
President

BERT H. ZAHNER  
Chicago Manager

FRED D. STRUDELL  
Secretary

MORTON BIGGER  
Assistant Secretary

## FARMERS UNION MUTUAL LIFE INSURANCE COMPANY

DES MOINES, IOWA

Owned by Farmers  
Built by Farmers  
Officers are Farmers

### Insurance at Cost

One Year Old Oct. 17, 1923  
Nearly \$3,000,000.00 Insurance in Force

Legal Reserve  
Level Premium  
Co-Operative

terval), cancer, insanity, epilepsy, nervous breakdown, any psychosis, vertigo, exophthalmic goiter, nephrectomy, prostatectomy.

"The following disqualify if within ten years: asthma, pluerisy (serous), gastric ulcer, amoebic dysentery, ancephalitis, gout, fracture of skull, trachoma.

"The following disqualify if within five years: acute articular rheumatism, empyema, gall stones, residence with consumptive, sunstroke or heat prostration, malaria (two or more attacks), dyspepsia or chronic indigestion, major pelvic operation in case of women.

#### Physical Examination Brings Out Impairments

"Disability is ordinarily not granted with the following physical impairments: blindness or serious defect of vision in one or both eyes, total deafness, chronic otitis, joint, spine or bone disease causing severe impairment of functions, loss of limb, heart disease (except simple, well-compensated mitral insufficiency under age 40), hypertension (systolic more than 25 mm. Hg. above normal), any open sore or ulcer, appendicitis (present or within two years, unoperated), cystitis, fistula, albuminuria in applicants over age 25, glycosuria, varicose veins, unhealthy appearance, thirty per cent, underweight, forty per cent overweight in applicants over age 45.

"Some companies are now granting

disability at increased rates in the case of certain physical impairments which as life risks carry a substandard rating, and the practice will probably extend. These classes include overweight, hypertension, albuminuria, cylindruria, occupation hagar, etc. Disability should be granted with caution when the rating is over 150 per cent, and refused when it is over 175 per cent.

"It is impracticable to give within the scope of this paper a list of all occupations for which disability cannot be granted. We shall, therefore, only point out, as a general guide, the principal causes of mortality incident to occupation, as stated by Rogers and Hunter in 'Influence of Occupation Upon Mortality': Accident; unhealthy circumstances of employment itself; and unsanitary surroundings. A consideration of the possible effect of the applicant's occupation, from these standpoints, must of course determine the applicant's eligibility for disability insurance.

"In the first class belong railroad workers, employees in certain metal and electrical trades and industries, those handling explosives, etc., whose daily tasks expose them to the danger of loss of limb or sight, or other accidents which might cause complete disability.

"The second group include stone cutters, bone, steel and glass grinders or polishers, grain elevator laborers, hat makers, enamel ware workers, storage battery workers, etc., whose duties subject them to the inhaling of fine dust particles or poisonous fumes from chemicals.

"In the third group must be considered employees of ill-kept and poorly ventilated factories or mills located in swampy and unhealthy regions, and those who are subject to undue exposure, rapid changes of temperature, or other conditions prejudicial to health."

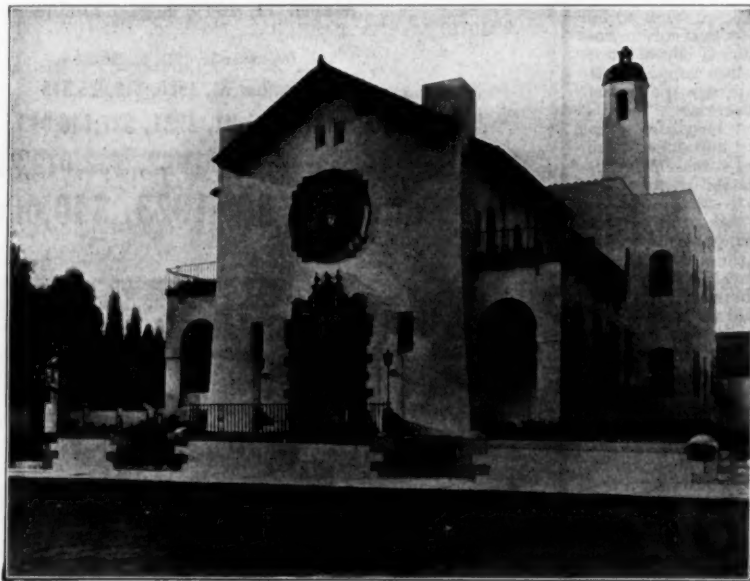
#### Gives Consideration to Rates and Reserves

The problem of rates and reserves is, of course, inseparable from the question of benefits granted in the provisions. Hunter's disability tables, based upon the experience of fraternal societies which required a probationary period of six months after notice before any payment was made, have become the recognized standard for the computation of premiums and reserves. Studies of the limited experiences of a number of the larger companies such as the New York Life, Metropolitan, Prudential, Mutual Life of N. Y., and Travelers, with reference to the rate of actual probable claims, and to the rate of actual probable deaths among disabled lives, seem to confirm Hunter's tables for the general forms of disability benefits now in use. An exception is made to those forms which include the provision for immediate payment of the life income and the interpretation that three months' continuous disability shall be construed as permanent.

Statistic experience from the records of life insurance companies granting benefits more liberal than those of the fraternal, which formed the basis of Hunter's tables, has not been voluminous enough to warrant the preparation of experience tables. That the practice of liberalizing benefits, either by making the life income commence immediately or by construing three months' duration as permanent, without a commensurate increase in the premiums charged, is dangerous, is interestingly exemplified by comparison between net annual premiums for a life income benefit of \$10 a month according to Hunter's table, with 3 per cent interest, and the Manchester Unity experience with 3½ per cent interest. The groups A, H, and J under the Manchester Unity experience include the select and preferred classifications of the accident and health companies.

#### Comparison Shows Hunter's Tables to Be Adequate

A comparison of the net premiums by Hunter's tables and the Manchester Unity's tables, excepting the first 180 days, indicates a fairly close agreement, the difference increasing with the advance in age at entry. The difference may be accounted for in part, at least,



HOME OFFICE BUILDING

## Central States Life Insurance Company

SAINT LOUIS



by the fact that the Manchester Unity experience probably includes some temporary disability benefits exceeding 180 days' duration, and the further fact that "if a period of disability was followed within 12 months by a second period of disability, this period was considered as a continuation of the first period, rather than as a new case." This would seem to confirm the general opinion that Hunter's table is adequate where the disability annuity commences six months after proof of disability.

The Manchester Unity tables also throw some light on another problem. It is safe to assume that the Manchester Unity experience, excluding the first 180 days, conforms to what our life companies may expect under clauses which construe six months' continuous total disability as permanent, and that the same experience, excluding the first 90 days, conforms to what the experience of the life companies will be under clauses which construe three months' continuous total disability as permanent, then the difference represents the additional premium which should be added to Hunter's disability rates when provision is made that three months' continuous total disability shall be construed as permanent.

For a more liberal provision, and particularly where the monthly annuity becomes available immediately upon proof of disability there has been very little reliable data upon which to base the additional premium required. A vague but general impression has prevailed that about 25 per cent should be added to Hunter's net rates for such a benefit. The result of an interesting investigation of the rates and reserves required for such a provision was given in a paper before the Actuarial Society of America by E. H. Hazlett (May, 1923) which indicates that approximately 50 per cent should be added to Hunter's rates for the monthly income disability benefit, immediate payment, when three months' disability is considered permanent.

The rate of disability on women is

lower than on men, but it is possible that the death rate after disability may also be lower, tending thereby to counteract the lower disability rate. It appears, however, that the disability premiums for men may be safely used for women.

A loading for expenses of approximately 15 per cent on premiums for disability benefits has become common, but in view of the very heavy proportionate expense of handling the very small premiums for disability, and of settling claims which often require special investigation, and the uncertainty of the future rate of disability, a loading of 15 per cent may not be sufficient.

#### Gives Court Decisions On Disability Clause.

In order to make unequivocal the right to except from the incontestable clause provisions for disability benefits, T. W. Blackburn, the secretary and counsel of the American Life Convention, about two years ago prepared a bill to amend statutes requiring an incontestable clause. This amendment was approved by the commissioners of insurance at their meeting last December, and has been adopted by Illinois, Massachusetts, Michigan, New York, West Virginia, and possibly other states. It would seem advisable, until such law is adopted in all states, that the incontestable clause should be made not less than two years, which is permissible except in Virginia.

The trend of modern opinion is towards the doctrine that the insured, to be entitled to the benefits under the disability agreement, must be so disabled that he is unable to perform, in a material degree, the necessary duties of the occupation he was engaged in at the time the disability was incurred, or any similar occupation which he might be expected to follow by reason of his training, education, and ability.

A careful consideration of the legal aspects of the disability clause inevitably leads to the conclusion that the rules relating to same are by no means clear, that on several of the important

questions there is more or less confusion and conflict in the cases, and that other important principles relating to same are still to be determined by the courts. From a legal standpoint, we feel that until greater experience is had, companies should use great caution in departing from, or in amplifying or extending, the provisions of the clauses now in general use.

#### Believed that Claims Require Liberal Treatment

In the consideration of claims, we should remember that the intent and purpose of the disability benefit is that it should be of real value to the insured at a time of personal disaster which ordinarily involves serious financial strain. While protection of the company's interests against fraud is at all times necessary, it is essential that the interests of the insured should be broadly and reasonably interpreted.

It is not always easy to determine the existence of total disability, and it is even more difficult to decide whether such disability may be properly considered as permanent. From a legal and underwriting standpoint there is a lack of sufficient experience to be relied upon as a certain guide, and since the rate of disability and the rate of recovery from disability are important factors in the premium computation, we feel that until there has accumulated a greater volume of experience, both legal and actuarial, the companies should continue to administer the benefit in favor of the insured within reasonable limits.

It has been suggested that in the case of a lapsed policy, if it should develop that the insured was disabled when the defaulted premium became due, the policy should be revived and the death claim paid, or annuities should begin from the time of disability, as the case may be. This is a dangerous practice, and not approved by the committee, for if adopted generally there would arise at once and continue the most unsatisfactory doubt as to whether or not death claims might still be made on policies

long since lapsed on the company's books.

#### Investigation of Claims

The sources from which information bearing on claims is gathered are: Insured; attending physician; friend or neighbor; company's examiner; inspection bureaus. The information gathered through these sources should be checked against the impairment files. If similar claims are pending with other companies, uniform action, resulting in common interpretations and more equitable settlements from both the claimant's and the companies' points of view, will be obtained if information is freely exchanged between the interested companies.

Methods for determining the persistence of disability follow the same general lines as the original investigation: First, whether the original disability still exists; and, second, whether, since approval of claim, the insured has performed or is able to perform any work (under a reasonably liberal interpretation) for remuneration or gain.

The usual procedure of handling claims is to advise the insured, upon notice of disability, as to what his disability clause provides, and to instruct him to have his physician forward a preliminary statement, if his disability is such as is covered by the policy. At the same time, an inspection report is obtained. This eliminates the trouble and the expense of having proofs completed, in cases where the claim rests upon a misunderstanding or misconception of the benefit. If the physician's statement, supported by the inspection, indicates total and permanent disability, the usual proof blanks are mailed for completion.

#### Preparation and Maintenance of Records

While it is not essential that companies shall adopt a uniform method of keeping a record of the nature and amount of total and permanent disability

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Our up-to-the-minute policies afford  
you keen tools with which to work.

We co-operate with our Agents in every possible way and assist them to make money.

**TOTAL DISABILITY WITH ANNUITY INCOME—DOUBLE INDEMNITY—  
PAID-UP NON-PARTICIPATING POLICIES MADE PARTICIPATING—LOW  
NON-PARTICIPATING RATES—ALL THAT IS BEST IN LIFE INSURANCE.**

Free service of LIFE EXTENSION INSTITUTE  
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CEDAR RAPIDS, IOWA

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C. B. Svoboda, Secretary.

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Minnesota

South Dakota

Nebraska

## Would you be interested?

in the sale of the travel accident policy paying \$1,000 for death, \$500 for loss of limbs or eyes, and \$10.00 per week for disability?

**All for \$1.00 per year—We have such a policy; or an**

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### Super Non-cancellable

Accident and Health policy, with provisions so generous that salesmen say "How can they do it?" Write us; we will tell you all about them.

## Federal Life Insurance Company

Federal Life Building, Chicago

Isaac Miller Hamilton  
President

George Barmore  
Supt. of Agents

## Indianapolis Life Insurance Co.

### GROWING STEADILY

	Insurance in Force
1905	\$ 325,000.00
1906	1,281,909.93
1907	2,158,315.62
1908	2,344,449.12
1909	3,037,135.59
1910	3,760,237.71
1911	4,451,264.48
1912	5,756,608.86
1913	7,011,554.27
1914	8,655,788.49
1915	10,231,921.21
1916	12,021,820.06
1917	13,665,053.54
1918	15,532,346.26
1919	20,456,374.44
1920	27,006,018.90
1921	31,275,345.88
1922	35,236,427.74
1923 To Oct. 15—	40,000,000.00

Total Assets	\$3,590,000.00
Total Dividends Paid Policyholders	630,000.00
Total Death Claims Paid	760,000.00

Operating in

Indiana, Illinois, Michigan, Texas, Ohio, Minnesota and Florida

FRANK P. MANLY, President

JOS. R. RAUB, Secretary

benefits carried, it is important that the information be recorded in such form that it will be readily accessible for future reference, not only by the companies' own officials, but also in connection with any joint investigations which it is hoped will be undertaken at some future time when a sufficiently extensive experience has become available.

In general, the companies which use a sorting and tabulating machine system have provided on their actuarial record card one or more fields on which to record the type of disability benefit granted, the various types of the benefit allowed by the company being identified by code numbers. All necessary groupings for valuation purposes are made from this brief record, from which can also be made further groupings for research purposes.

While a separate disability card is in use, it is usual to record thereon the gross and net disability premiums. If a premium record card is punched, the disability premium can be conveniently noted on this card.

Those companies which have not yet adopted the machine method either use a separate card for valuing the disability benefit, or have suitable reference on the valuation card.

In addition to the record of outstanding disability insurance in force, it is important that there shall be kept a carefully prepared and complete record of every claim approved which, besides the usual information for identification purposes and covering particulars of the original policy, should include the following: Date claim submitted; date of recovery; date claim approved; mode of termination; cause of disability; date of termination; impairments; disability reserve released; nature of disability benefits; examiner's prognosis; date of first payment; remarks; and subsequent investigation.

It may be possible to include in this record data regarding the periodical payments made to the insured, in which case tabs on the card showing the months in which payments are due will be helpful. Provision might also be made for valuing the benefits allowed. Some companies will prefer to use separate cards for these various purposes.

The cause of disability should be reported as completely as possible, so as to show not only the immediate cause of disability but also all contributing factors. The principal causes of disability will doubtless be coded as a preliminary to any combined investigation.

#### Salesmanship Is Important Factor in Whole Plan

In closing this paper the committee desires to express its recognition and appreciation of the service rendered in the disability field by the sales representatives of life insurance companies—not only with regard to the influence they have exerted towards a broadening of the disability provisions, but, more important still, with regard to the proper presentation of their benefits to the prospect and the public.

But in spite of the care exercised generally in sales presentations, the fact cannot be ignored that there are policyholders who do not fully appreciate or comprehend either the exact coverage or the restrictions of the disability benefits contained in their policies. Therefore, the committee is led to emphasize the importance of salesmen clearly and completely outlining to their prospects the conditions precedent to a proper disability claim, particularly calling attention to the fact that while the benefit does not cover temporary disabilities, it does meet the urgent needs of the policyholders who become totally and permanently disabled. We hope it will also not be amiss to point out to agents the advisability of acquainting themselves as thoroughly as possible with the practices of their companies in disability selection, so that they may thereby be enabled to exercise a selection of their own and reduce to a minimum the disappointment so often resulting from the effort to deliver policies that have had the disability clause eliminated.

By following such a line of action it is our belief that opportunities for dis-

appointment, dispute and ill-feeling will be greatly lessened, if not eliminated, and this will tend to further strengthen the confidence of the insuring public in the life insurance institutions of the country.

#### Legal References on Disability Clause Given

##### Total Disability—Clause Literally Construed

Rhodes vs. The Railway Passenger Co., 5 Lansing 77.

Lyons vs. Railway Passenger Assurance Co., 46 Iowa 631.

Pennington vs. Pacific Mutual Life Ins. Co., 85 Iowa 468.

Albert vs. Order of Chosen Friends, 34 Federal 721.

Supreme Tent of Maccabees vs. King, 79 Illinois Appeals 145.

Buckner vs. Jefferson Standard Life Ins. Co., 90 S. E. 897 (N. C.).

Whitton vs. American Insurance Co., 87 S. E. 827 (Ga.).

Hutchinson vs. Supreme Tent, etc., 22 New York Supplement 801.

In the foregoing the clauses under construction provided in substance that the insured to recover thereunder must be wholly disabled from bodily injury or disease and thereby permanently, continuously and wholly prevented from pursuing any or all gainful occupations. It was held in the decisions that the insured must be so disabled as to be prevented from pursuing any work or following any occupation, and that he was not entitled to benefits while he was able to do any kind of work or follow any occupation for compensation or gain.

The case of Pennington vs. Pacific Mutual is distinguished because the language of the policy indicated that the insured had only to be disabled from following the business he was engaged in at the time of the injury.

Although the question was not before the court in the case of Warren vs. Fidelity Casualty Co., 176 N. W. 202 (Iowa), it intimates that the rule laid down by the decision in Lyons vs. The Railway Passenger Assurance Co. places too narrow a construction on the terms of the agreement.

##### The Clause Literally Construed in Favor of the Insured

On the other hand, the following cases go to the extreme in a liberal construction of the contract in favor of the insured, and hold that the insured to be entitled to the benefits under language such as is generally used in the total disability agreement, need only show that he is so disabled as to be prevented from following the occupation he was engaged in at the time disability was incurred.

Foglesong vs. Modern Brotherhood (Kansas City Court of Appeals), 97 S. W. 240.

Workmen's Mutual Ass'n vs. Roos, 112 N. E. 760 (Ind.).

National Life & Accident Ins. Co. vs. O'Brien, 159 S. W. 1134 (Ky.).

Heill vs. Order of United Friends, 44 N. E. 145 (N. Y.).

Beach vs. Supreme Tent, etc., 69 N. E. 281 (N. Y.).

Hohn vs. Interstate Casualty Company, 72 N. W. 1108 (Mich.).

Lobdill vs. Laboring Men's Mutual Aid Ass'n, 71 N. E. 696 (Minn.).

Great Eastern Casualty Co. vs. Robins, 164 S. W. 750 (Ark.).

Industrial Mutual Indemnity Co. vs. Hawkins, 127 S. W. 457 (Ark.).

Berry vs. United Life & Accident Ins. Co., 113 S. E. 141 (S. C.).

##### The Modern Doctrine—the Reasonable Rule

A third group of cases hold that the insured must be so disabled as to be prevented from following the occupation he was engaged in at the time the disability was incurred or some other similar occupation, which he is reasonably fitted to pursue.

Wall vs. Casualty Company (St. Louis Court of Appeals), 86 S. W. 491.

Industrial Indemnity Company vs. Hawkins, 127 S. W. 457 (Ark.).

The Brotherhood of Locomotive Firemen and Engineers vs. Aday, 134 S. W. 928 (Ark.).

Life and Casualty Company vs. Jones, 73 So. 566 (Miss.).

Taylor vs. Southern States Life Ins. Co., 91 S. E. 326 (S. C.).

As is said in Lobdill vs. Laboring Men's Mutual Aid Ass'n, 71 N. W. 696, the apparent conflict in decisions upon this question may be largely reconciled



in view of the difference in the language of the policies and of the different occupations under which the parties were insured and quotes with approval from *Wolcott vs. United, etc., Co.*, 55 Hun., § N. Y. Supp. 263, the following:

"Total disability must, from the necessity of the case, be a relative matter and must depend largely upon the occupation and employment in which the party insured is engaged. One who labors with his hands might be so disabled by a severe injury to one hand as not to be able to labor at all at his usual occupation, whereas a merchant or a professional man might by the same injury be only disabled from transacting some kinds of business pertaining to his occupation. . . . All that the courts can do is to construe the contract which the parties have made for themselves; but in doing so they should give it a reasonable construction, so as, if possible, to give effect to the purpose for which it was made."

Cook on Life Ins., Par. 108, says: "Disability, as a condition on which the liability of the insurer becomes consummated, may, by the terms of agreement, be limited to disability arising from injuries specified. And when not thus limited it is commonly limited to 'total' disability. Total disability must of necessity be a relative matter, depending largely upon the occupation and employment of the insured. In the absence of agreement to the contrary, it seems to be the rule that such disability consists in a total inability to earn a livelihood at any employment, and to be not restricted to a particular employment or that in which the insured is engaged at the time of the injury. But it is also reasonably held that, to constitute total disability to labor, it is not necessary that the insured be incapacitated to do anything in the prosecution of a given employment but only that he be incapacitated to do all the substantial acts necessary to the prosecution of such employment."

The following citations also bear directly on the general question of total disability:

Joyce on Insurance, 2nd Edition, Section 3031-2.

14 R. C. L., Section 491.

Supplement, Vol. 3, Section 491.

Ann. Cases, 1918-C, 114 (Note).

77 Ann. Cases 851 (Note).

United States Mutual Accident Ass'n

vs. Millard, 43 Ill. Ap. 148.

Smith vs. Supreme Lodge, etc., 61 Pacific 416.

Ford vs. United States Mutual Accident Relief Co., 19 N. E. 169 (Mass.).

Frost vs. Central Business Men's Association, 246 S. W. 628 (Mo.).

Clark vs. Travelers Ins. Co., 113 Atl. 449 (Vt.).

24 American Law Reports, page 203.

#### Permanent Disability Treated In Several Court Decisions

In the well considered case of *Indiana Life Endowment Company vs. Reed*, 103 N. E. 78, the Appellate Court of Indiana, Division No. 1, decided in 1915, the contract provided:

"If the insured herein shall be totally and permanently disabled from performing any and all kinds of manual labor, or business upon which he may depend for a livelihood, upon the receipt of satisfactory proof of such total and permanent disability, this company will pay the monthly benefits herein stipulated to the said insured, so long as he shall live, not, however, to exceed the maximum amount stated in this policy."

. . . The terms 'total and permanent disability' as used in this policy shall be understood to mean such disability as shall render the insured totally incapable of doing, performing, managing or directing any service of any kind or character by which the insured might earn a livelihood; and that such disability is of such a character as to render recovery improbable."

The insured was a farm laborer in the summer and a coal miner in the winter. He alleged and attempted to prove that he had never followed and was not qualified to follow any other occupation and that he depended upon said occupations and upon them alone for a livelihood for himself and family. He was an illiterate man. The injury sustained by the insured was the loss of his left hand by the accidental discharge of a shotgun.

The court in its decision used the following language:

"The policy under consideration is a life insurance policy with certain provisions for burial and disability bene-

fits. Most of the decided cases deal with accident policies which provide insurance for certain specified injuries or for disability rendering the insured incapable of following his usual avocation. We find no case that is of controlling influence in deciding what is total and permanent disability within the meaning of this policy. The general principles applicable to the construction of such instruments and decisions in cases bearing some analogy to the one at bar must therefore be depended upon for guidance.

"Such a contract is to be reasonably construed so as to effectuate the purpose for which it was made. A fair and reasonable construction should be given to all the language employed, and in so doing we should consider the relation and situation of the parties when the policy was issued, and ascertain the meaning upon which the minds of the contracting parties may reasonably be said to have met at that time. *Glen Falls Ins. Co. vs. Michael*, supra, 167 Ind. 677, 74 N. E. 964, 79 N. E. 905, 8 L. R. A. (N. S.) 708.

"When so construed, the policy issued to appellee means that, in case the insured becomes totally and permanently disabled from following any occupation or engaging in any business from which he may by reasonable effort obtain a livelihood, he is entitled to payment as stipulated in the policy. Such employment or business is not necessarily limited to farming or coal mining, but, on the other hand, the policy must be so construed in the light of the facts that must have been known to both the contracting parties when it was issued. The company insured appellee knowing that he was an illiterate worker. So, taking the man as he was when the policy was issued, and the claim for benefits presented, if from the injury and condition shown he was totally and permanently incapacitated from earning a livelihood, the company could not rightfully refuse to pay, because of a mere possibility that by education or otherwise he might at some time become able to earn a living. Appellee would not necessarily be entitled to recover because of the loss of his hand, for the policy only gives him such right for total and permanent disability. The loss of one hand might or might not result in such disability.

"Whether he was or was not totally and permanently disabled within the meaning of the policy as above construed, considering all evidence bearing on the question of disability, is a question of fact to be determined by the court or jury, trying the case. *Turner vs. Fidelity & Casualty Co.*, 112 Mich. 425-429, 70 N. W. 898, 38 L. R. A. 529-535, 67 Am. St. Rep. 428, and notes."

In the case of *Indiana Life Endowment Company vs. Patterson*, 103 N. E. 817 (Ind.), the same court followed with approval the case of *Indiana Life Endowment Company vs. Reed*.

In the case of *Federal Life Insurance Company vs. Lewis*, 183 Pac. 975, the policy contained a waiver of premium benefit and the usual provision that such benefit shall cease upon recovery from total permanent disability. The premiums on the policy were due and payable on the 30th of September each year. In April, 1915, the insured received a gunshot wound in one hand. The evidence disclosed that for about 14 weeks he was confined to his bed, and then was unable to rise therefrom without the use of a cane. The doctor stated he was suffering from ataxia tabes dorsalis, considered generally as an incurable disease.

After having notified the general agent of the company of his disability the premium due in September, 1915, was paid under protest. For the year 1916 the company required certain affidavits as to his condition, which were furnished, and it paid the insurance for that year. The insured pleaded that he had not furnished any proof of his condition for the year 1915, for the reason the company waived the proof and had denied liability.

Upon the defendant's assignment of error that the plaintiff failed to prove he was totally and permanently disabled, the court said:

"To admit of the technical interpretation of said policy as the defendant company attempts to invoke in the case at bar would make the policy ambiguous and contradictory and meaningless in part. . . . The evidence at the trial disclosed that the plaintiff had been disabled . . . for almost two years after the injury . . . that the company had recognized the fact that he was totally disabled and had paid the premiums on the insurance policy

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**Insurance Co.**  
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**INDIANA**  
**IOWA**

## STATEMENT OF

**Hawkeye Life Insurance Company**

July 31, 1923

ASSETS		LIABILITIES	
Agents' Balances .....	None	Legal Reserve .....	\$290,722.76
Premium Notes .....	None	Dividends Contingent on	
Bonds—Road and Liberty.....	\$ 52,023.13	Payment of Deferred	
Cash in Banks.....	36,900.26	Premiums .....	8,245.30
Certificates of Deposit.....	31,180.00	Unpaid Bills of	
Mortgages .....	291,908.61	Account .....	2,396.79
Policy Loans .....	3,750.66	Premiums Paid in	
	\$415,762.66	Advance .....	339.12
Accrued Interest—			\$300,703.97
Liberty Bonds .....	\$ 521.15	Capital Stock .....	\$100,600.00
Road Bonds .....	538.96	Unassigned Funds....	50,221.71
Certificates .....	197.39		
Mortgages .....	5,728.99		
	\$ 6,986.49	Surplus for Protection	
Gross deferred pre-		of Policyholders.....	150,821.71
miums, uncollected..\$ 37,691.81			\$452,525.68
Less Loading .....	7,915.28		
	29,776.53		
	\$452,525.68		

Admitted Assets December 31, 1920.....\$155,738.14  
 Admitted Assets December 31, 1921.....\$200,055.81  
 Admitted Assets December 31, 1922....\$340,834.09  
 Admitted Assets July 31, 1923 ....\$452,525.68

No Agents' Balances

No Premium Notes

All Liquid Assets

A. R. Ingleman, Vice-Pres.-Agency Supervisor. B. D. Van Meter, Secy.

# George Washington Life Insurance Company

## Charleston, West Virginia



"Where there is no Vision  
the People Perish"

"A Company Worthy of  
Its Illustrious Name"

Gross Assets to date (over).....\$ 3,000,000.00  
 Policy Reserves to date (over)..... 2,650,000.00  
 Special Reserves, Dec. 31st, 1922..... 73,98.63  
 Capital and Surplus, Dec. 31st, 1922..... 300,000.00  
 Excess Income Over Disbursements (to date, over) 300,000.00  
 Insurance in Force (nearly)..... 21,000,000.00

HARRISON B. SMITH  
President

ERNEST C. MILAIR  
Vice-President and Secretary

Attractive contracts with Home Office Registry and Service for defined territory

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West Virginia, Kentucky, Tennessee, Georgia, North Carolina,  
South Carolina, Virginia, Ohio, and Michigan.

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for the year prior thereto. We think a fair construction of the provisions of the policy, when construed together, must be that if the insured was totally disabled then they should pay the insurance premium. The word 'total' disability is construed by this court in the case of Continental Casualty Co. vs. Wynne, 36 Okla. 325, 129 Pacific 16.

"The policy first provides that the insured must prove that he will be totally disabled for life from continuing any gainful occupation. The same section then provides, if he recovers or does assume any gainful occupation, he must then pay his premiums. In this case they are asking us to construe only the first portion of said section, but, by construing them together we think the liberal construction means 'total disability' and that he probably will be so for life."

In the case of Hollobough vs. Peoples Insurance Company, 22 Atl. 29 (Pa.). It was held that the policy must be construed with reference to the express terms of the contract and therefore the word "permanent" in connection with the word "disability" and the obvious purposes of the contract will be held to exclude the consideration of a disability which is merely temporary.

In the case of Glinell vs. Prudential Insurance Company (N. Y. App. Div.) 200 N. Y. Supp. 261, it is held that disability from tuberculosis is a permanent disability.

### Proof of Disability Considered in Decisions

The question of compliance on the part of the insured with the provision in regard to furnishing proof, so far as we have been able to find, has been before the Appellate Courts in only two cases.

In the case of Wick vs. Western Union Life Insurance Company, 175 Pacific 953, Washington, the policy was issued on May 1, 1914, and contained a total disability clause as follows:

"If the insured, before attaining the age of sixty years, shall furnish due proof that he has, before default in the payment of any premium, become wholly disabled by bodily injury or disease and will be permanently, continuously, and wholly prevented thereby from pursuing any and all gainful occupation, the Company will pay for said insured all premiums which shall become due and payable during the continuance of such disability," etc.

The insured was a public school teacher. In the latter part of 1914 he became indisposed from a tumor on the brain and was given a vacation. In January, 1915, he returned to work. His health grew worse. He suffered from headaches, attacks of dizziness, and occasionally fainted, and because of such ill health on or about the 31st of March, 1915, he could not properly discharge

his duties as teacher, whereupon he was relieved by the school board. He died on December 31, 1915, as a result of the tumor.

The premium due May 1, 1915, was not paid, although notice of same was given by the Company about 30 days before the due date and again before the expiration of grace. Subsequently an ineffectual effort was made by the Company to reinstate the policy. No notice of the insured's condition was given the Company until about October 22, 1915, when request was made for advice as to the nature and amount of proof required.

The beneficiary contended the contract meant that if at any time before the age of sixty years the insured furnished proof that he became totally disabled before default in the payment of any premium, then the Company must pay all premiums for the insured. In answer to this contention the court, after quoting the disability clause, said:

"A clumsy arrangement of words, even coupled with the 'comma fault' will not be allowed to contravene a reasonable interpretation according to the intention of the parties at the time of using them."

"In the last language above quoted, it is to be noticed that the word 'has' is used only once. Now, if in its stead the word 'had' or 'did' was employed, and no portion of the policy on this particular point considered other than this thus altered, there would be force in the argument made; but the word 'has' is quite significant. It is a word which is always used in the present tense. So that the words 'shall furnish proof that he has' mean at the present time, and, taken in connection with the other language in the part of the total disability clause quoted, mean that he shall 'furnish' the proof before 'default in the payment of any premium.'"

The Court affirmed the judgment for the defendant Company.

In the case of Federal Life Insurance Company vs. Lewis, 183 Pacific 976, Oklahoma, the Court apparently assumed the necessity of making the required proof as a condition precedent to the right of recovery by holding that the Company had waived such proof.

### Relation of Disability To Life Policy

In the following cases the relation of the total disability and double indemnity provisions to the life policy were considered:

Myli vs. American Life Insurance Co., 175 N. W. 630 (North Dakota).  
 Continental Life Insurance Co. vs. Johnson, 248 S. W. 88 (Texas).  
 Jones vs. Prudential Insurance Co., 236 S. W. 430 (Illinois).  
 Federal Life Insurance Co. vs. Wilkes, 218 S. W. 591 (Texas).

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